

CONFORMED COPY

CREDIT NUMBER 3072-ZIM

Development Credit Agreement

(Community Action Project)

between

REPUBLIC OF ZIMBABWE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 25, 1998

CREDIT NUMBER 3072-ZIM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 25, 1998, between REPUBLIC OF ZIMBABWE (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; 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, as amended through December 2, 1997 (the General Conditions), constitute an integral part of this

Agreement.

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

(a) "AWPB" or "Annual Work Program and Budget" means a work program and budget for any fiscal year submitted, or to be submitted, annually in advance by the Borrower, and pertaining to the Project, or any part thereof;

(b) "Beneficiary" means a rural-based community or community group, which is determined to be eligible for a Grant, as hereinafter defined, in terms of the eligibility criteria specified in the Project Operational Manual, as hereinafter defined, and for whose benefit a Grant is provided, or proposed to be provided;

(c) "CSO" means the Borrower's Central Statistical Office;

(d) "DLRS" means the Department of Labor Research and Statistics of MPSLSW;

(e) "Grant" means a grant made, or proposed to be made, out of the proceeds of the Credit for the benefit of a Beneficiary to finance a Subproject, as hereinafter defined;

(f) "IPMAS" means Integrated Poverty Monitoring and Analysis System, an information network established by the Borrower to provide integrated poverty monitoring and analysis, and referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(g) "IPMAS Operational Document" means the IPMAS Operational Document adopted by the Borrower pursuant to paragraph 3 (c) (i) of Schedule 1 to this Agreement, and referred to in paragraph 4 (a) (ii) of Schedule 4 hereto, as same may be amended from time to time, and such term includes any schedules to the IPMAS Operational Document;

(h) "MPSLSW" means the Borrower's Ministry of Public Service, Labour and Social Welfare;

(i) "NGO" means a non-governmental organization operating pursuant to the Private Voluntary Organizations Act, Chapter 17.05 of the Borrower's laws;

(j) "Operating Costs" means the incremental operating costs incurred under the Project on account of (i) local contractual staff salaries and related employment costs, travel costs and allowances, (ii) operation, insurance and maintenance of vehicles and equipment, and (iii) office rent, supplies, utilities and communications charges;

(k) "PMU" means the Project Management Unit established pursuant to Section 5.01 (b) of this Agreement, and referred to in paragraph 1 (b) of Schedule 4 to this Agreement;

(l) "PMS" means Poverty Monitoring Section established pursuant to paragraph 3 (c) (ii) of Schedule 1 to this Agreement, and referred to in paragraph 2 (b) of Schedule 4 hereto;

(m) "Project Operational Manual" means the Project Operational Manual adopted by the Borrower pursuant to Section 5.01 (a) of this Agreement, and referred to in paragraph 4 (a) (i) of Schedule 4 hereto, as same may be amended from time to time, and such term includes any schedules to the Project Operational Manual;

(n) "SDF" means the Social Development Fund, a department of MPSLSW;

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

(p) "Subproject" means an activity referred to under Part A of the Project, and in respect of which a Grant is provided, or proposed to be provided, for the benefit of a Beneficiary;

(q) "Subproject Agreement" means an agreement between the Borrower and a Beneficiary, and referred to in paragraph 8 (g) of Schedule 4 to this Agreement;

(r) "TAG" means the Technical Advisory Group established pursuant to paragraph 3 (c) (ii) of Schedule 1 to this Agreement, and referred to in paragraph 2 (a) of Schedule 4 hereto; and

(s) "Zimbabwe Dollar" or "Z\$" means the currency of the Borrower.

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 forty five million Special Drawing Rights (SDR 45,000,000).

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: (i) 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; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made for the benefit of a Beneficiary under a Grant to meet the reasonable cost of eligible expenditures relating to a Subproject, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in a freely-convertible currency 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Borrower and the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General

Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 2008, and ending April 15, 2033. Each installment to and including the installment payable on April 15, 2018, shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

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

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

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

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

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 Parts A and C of the Project through SDF, and Part B thereof through DLRS, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices, and with due regard to ecological and environmental factors, and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to 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. For the purposes of Part A of the Project, the Borrower shall allocate an amount of the Credit not exceeding such amount as may be allocated from time to time to Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement, to provide Grants to finance Subprojects, on the terms and conditions specified in paragraph 8 of Schedule 4 to this Agreement, and on such other terms and conditions as shall be acceptable to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Association 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 copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such financial statements, records and accounts and a 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 such records and accounts and the audit thereof, and

concerning said auditors, as the Association may 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 separate 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 each fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. For the purposes of Part A of the Project, the Borrower shall maintain in any fiscal year a ratio of Operating Costs to aggregate amount disbursed on account of Subprojects of not more than 15 percent, or such other percentage as may be agreed between the Borrower and the Association.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Project Operational Manual has been duly approved by the Borrower and the Association, and adopted by the Borrower;
- (b) the SDF Advisory Board referred to in paragraph 1 (a) of Schedule 4 to this Agreement and PMU have been established, under terms of reference acceptable to the Association, and the Project Manager referred to in paragraph 3 (a) of Schedule 4 to this Agreement selected, in accordance with Section II of Schedule 3 to this Agreement; and
- (c) the Borrower has established an adequate financial management and accounting system, and designed a management information system, in accordance with paragraph 7 of Schedule 4 to this Agreement.

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 Finance of the Borrower 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:

The Senior Secretary
Ministry of Finance
Private Bag 7705
Causeway, Harare
Zimbabwe

Cable address:

MINFIN
Harare

Telex:

22141 ZW
Zimbabwe

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF ZIMBABWE

By /s/ Amos Midzi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to 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) Equipment and vehicles:		100% of foreign expenditures and 80% of local expenditures (ex- factory cost) and 90% of local expenditures for other items pur- chased locally
(a) under Part B of the Project	250,000	
(b) under Part C of the Project	500,000	
(2) Consultants' services and training:		100%
(a) under Part B of the Project	750,000	
(b) under Part C of the Project	650,000	
(3) Grants	36,000,000	100% of amounts disbursed
(4) Operating Costs:		80%
(a) under Part B of the Project	1,200,000	
(b) under Part C of the Project	1,650,000	
(5) Unallocated	4,000,000	
TOTAL	45,000,000	

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; and

(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.

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

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

(b) in respect of a Grant, unless the Grant has been provided in accordance with the procedures, and on the terms and conditions set forth or

referred to, in this Agreement and the Project Operational Manual; or

(c) in respect of payments for expenditures under Categories (1) (a), (2) (a) and (4) (a) of the table in paragraph 1 of this Schedule, unless (i) the IPMAS Operational Document has been duly approved by the Association, and adopted by the Borrower, and (ii) the TAG and PMS have been established, under terms of reference acceptable to the Association, and the Poverty Monitoring Manager referred to in paragraph 3 (b) of Schedule 4 to this Agreement duly appointed, in accordance with Section II of Schedule 3 to this Agreement.

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 consultants' services (firms) under contracts not exceeding \$100,000 equivalent, consultants' services (individuals) under contracts not exceeding \$50,000 equivalent, Grants, operating costs and training, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the standard of living of poorer rural communities through increased opportunities for such communities to organize themselves, and plan and implement activities responsive to their needs, and through improvements in the monitoring system in place to monitor the impact of poverty reduction policies and programs on the poor and, hence, in the design of such policies and programs.

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: Community Subprojects

1. Provision of grants for the financing of the following activities:

(a) identification, design, preparation, implementation, and operation and maintenance, of development activities sponsored by rural-based communities or community groups, including construction and rehabilitation of essential community-based social and economic infrastructure, and natural resource management activities; and

(b) training of local communities and community groups in skills required for identification, design, preparation, implementation, and operation and maintenance, of Subprojects, and effective maintenance of community-owned assets, and in specialized programs covering particular themes or specialized skills.

Part B: Poverty Monitoring

1. Provision of technical advisory services, and acquisition of materials and equipment, for the production of annual poverty profiles and trend analysis of household data and other relevant data, establishment and maintenance of a primary data bank on poverty indicators, and modification of the national household survey program to serve poverty monitoring needs.

2. Provision of technical advisory services, and acquisition of materials and equipment, for the carrying out of regular participatory poverty assessments and other priority studies, upgrading of data collection efforts, preparation of policy briefs for the benefit of appropriate central and local planners, and dissemination of information on social welfare dimensions to the public,

policymakers, NGOs, academic institutions and other groups and associations, using newsletters, workshops and other media.

Part C: SDF Institutional Support

1. Provision of technical advisory services, and acquisition of materials and equipment, for the establishment and operation of the PMU.
2. Carrying out of research activities to assess the real benefits of Subprojects, maintain a continuous dialogue with local communities and community groups, control the quality of Subproject design and maintenance, and monitor the achievement of expected outcomes of Subprojects.
3. Carrying out of a training program in the processes and procedures for the review, appraisal, supervision, and monitoring and evaluation, of Subprojects for the benefit of SDF and local government staff, including training in group, problem-solving and decision-making; financial management of Subprojects, and strengthening of links between SDF, on the one hand, and field offices, local governments and Beneficiaries, on the other.
4. Organization of workshops and seminars, as well as on-the-job training and on-site support, for the benefit of facilitators, and district and regional officials, in procedures and processes pertaining to review, appraisal, supervision, and monitoring and evaluation, and skills required for identification, design, preparation, implementation, and operation and maintenance, of Subprojects, as well as in sector-specific aspects of Subprojects.
5. Promotion of information and outreach activities amongst the poorest and most vulnerable rural-based communities and community groups to ensure that such communities and community groups are made aware of investment opportunities offered under the Project and other similar programs, and given assistance to undertake the initial steps involved in the preparation and submission of Subproject applications.

* * *

The Project is expected to be completed by June 30, 2003.

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, and 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, 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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

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.

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 \$1,900,000 equivalent, and works, required for Part A of the Project, estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$7,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 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. Community Participation

Goods and works required for Part A of the Project may be procured in accordance with procedures acceptable to the Borrower and the Association, and specified in the Project Operational Manual.

4. Procurement of Small Works

Works required for Part A of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an amount not to exceed \$41,300,000 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 Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$300,000 or more, as well as the first five contracts procured in accordance with the National Competitive Bidding procedures, and the first three contracts for small works in each District under Part A of the Project, 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 for audits, the management information system, poverty monitoring, beneficiary assessments and environmental impact assessments under Parts B and C 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. Single Source Selection.

Services for technical advisory services under Parts B and C of the Project which are estimated to cost less than \$50,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Community Participation

Services required to assist Beneficiaries in carrying out Subprojects may be procured in accordance with procedures acceptable to Borrower and the Association, and specified in the Project Operational Manual.

3. Individual Consultants

Services for technical advisory services under Parts A and B of the

Project estimated to cost less than \$1,000 equivalent, tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

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

2. Prior Review

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

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

SCHEDULE 4

Implementation Program

1. For purposes of Parts A and C of the Project, the Borrower shall establish:

(a) an SDF Advisory Board, consisting of representatives of concerned Ministries of the Borrower, social development programs, NGOs and the private sector, to be responsible to provide overall policy guidance under Parts A and C of the Project, including approval of Annual Work Programs and Budgets, and review of implementation, progress and geographical distribution of Subprojects, and to ensure consistency of Subprojects with the Borrower's underlying objectives and strategy; and

(b) a Project Management Unit (PMU) to be responsible, subject to the overall policy guidance of the SDF Advisory Board referred to in subparagraph

(i) of this paragraph, for the day-to-day coordination of the execution of Parts A and C of the Project, including coordination of procurement and disbursement activities, preparation of annual and quarterly progress reports, audits, and Annual Work Programs and Budgets, and coordination of the review, appraisal, supervision, and monitoring and evaluation of Subprojects.

2. (a) For purposes of Part B of the Project, the Borrower shall establish a multi-agency Technical Advisory Group (TAG), to be chaired by MPSSLW, and consisting of representatives of central planning bodies, line Ministries, CSO, research institutions, NGOs, the private sector and donors, to guide the process of development of the Borrower's proposed Integrated Poverty Monitoring and Analysis System (IPMAS), including facilitation of opportunities for regular technical exchanges between institutional partners on poverty information and use, identification of priority policy issues for further studies and investigation, approval of guidelines for the financing of studies and commissioning of priority studies, and approval of the Annual Work Programs and Budgets.

(b) The Borrower shall designate the Poverty Monitoring Section (PMS) of DLRS to serve as secretariat of TAG and, as such, to be responsible for coordination of the execution of Part B of the Project, including coordination of procurement and disbursement activities, preparation of annual and quarterly progress reports, audits, and Annual Work Programs and Budgets, preparation of guidelines for the financing of studies and commissioning of priority studies.

3. (a) PMU shall be headed by a Project Manager, who shall be assisted by a Finance and Administration Unit, a Technical Services Support Unit, and a Monitoring Unit.

(b) PMS shall be headed by a Poverty Monitoring Manager, who shall be assisted by other higher level and support staff, as appropriate.

(c) The Borrower shall ensure that the positions of Project Manager, Poverty Monitoring Manager and other higher level staff involved in the implementation of the Project, shall be kept filled at all times by appropriate officials, having qualifications and experience acceptable to the Borrower and the Association.

4. The Borrower shall:

(a) prepare and transmit to the Association

(i) a Project Operational Manual, acceptable to the Association, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as shall have been agreed with the Association for purposes of Parts A and C of the Project, including, in the case of Subprojects, details of all procedural arrangements for the review, appraisal, supervision, and monitoring and evaluation, of Subprojects, procedures for submission and review of requests for financing, criteria for the determination of eligible Beneficiaries and approval of Subprojects, monitoring and evaluation processes, applicable procurement, disbursement and other implementation guidelines, and model forms of Subproject Agreements, and

(ii) an IPMAS Operational Document, acceptable to the Borrower and the Association, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as shall have been agreed with the Association for purposes

of Part B of the Project; and

(b) carry out the Project in accordance with procedures set out in the Project Operational Manual and IPMAS Operational Document, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, 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 performance indicators referred to in paragraph 4 (a) (i) and (ii) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than November 30 of each year, undertake, in conjunction with the Association, a joint annual review of the Project or, in the case of the review to be undertaken not later than November 30, 2000, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its respective obligations under this Agreement, including

(i) the progress achieved by the Borrower in the implementation of the Project, having regard to the performance indicators referred to in paragraphs 4 (a) (i) and (ii) of this Schedule,

(ii) a review of the proposed Annual Work Programs and Budgets for the forthcoming fiscal year,

(iii) a review of the progress of Subprojects and, in the case of completed Subprojects, a review of the status of compliance with requirements relating to maintenance of the productive assets resulting from such Subprojects and payment of recurrent expenditures generated thereunder, and

(iv) a review of the results of surveys and beneficiary assessments, and an evaluation of the impact of the Project;

(c) not later than one month prior to each review, furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, of the various matters to be discussed at such review; and

(d) following each review, undertake to act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or cause to be implemented, such other measures as may have been agreed between the parties in furtherance of the objectives of the Project.

6. (a) The Borrower shall, not later than October 31 of each year, submit to the Association, for review and approval, proposed Annual Work Programs and Budgets for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement activities, and such other particulars as the Association may require.

(b) The Borrower shall submit to the Association, for review,

(i) annual and quarterly progress reports on the status of the Project, to be submitted not later than two months after the end of each fiscal year and one month after the end

of each quarter, respectively, and

(ii) reports as needed on the award of contracts under the Project.

7. The Borrower shall by June 30, 1999, establish, and thereafter maintain, a management information system, acceptable to the Borrower and the Association, to monitor and evaluate the progress of the Project, and the performance of the Borrower thereunder, having regard to the performance indicators referred to in paragraph 4 (a) (i) and (ii) of this Schedule.

8. Further to Section 3.04 of this Agreement, the proceeds of the Credit allocated to Category (3) of the table in paragraph 1 of Schedule 1 to this Agreement shall be subject to the following additional terms and conditions:

(a) the amount so allocated shall be used exclusively to provide Grants to finance Subprojects, in accordance with criteria, and terms and conditions, set forth in the Project Operational Manual;

(b) no Grant shall be granted except to finance a Subproject which (i) is technically sound and feasible, and financially viable, (ii) has benefits to offer to the most disadvantaged and vulnerable rural-based communities and community groups, irrespective of any consideration of ethnicity, political affiliation or religion, and (iii) contributes to poverty reduction in one of the eligible sectors of activity, in terms of the criteria set forth in the Project Operational Manual;

(c) no Subproject shall be considered for approval unless (i) the Beneficiary has provided a plan for the maintenance of the productive assets resulting from the Subproject, upon its completion, and for the payment of recurrent expenditures generated thereunder, and (ii) in the case of a Subproject involving the involuntary resettlement of persons, an action plan for the settlement of such affected persons has been established and agreed upon with such affected persons, and deemed acceptable by the Association;

(d) every Subproject proposal shall be classified according to environmental impact category, and subjected as necessary to environmental impact analysis, to ensure that: (i) it is fully consistent with environmental appraisal criteria set out in the Project Operational Manual, and (ii) where appropriate, mitigation measures designed to minimize adverse effects of the proposed Subproject are identified and incorporated in the Subproject design;

(e) Grants shall be provided for the benefit of eligible Beneficiaries, and according to a cost-sharing formula, which shall be acceptable to the Association and specified in the Project Operational Manual; provided, however, that

(i) the proceeds of a Grant shall not be used to finance taxes or duties levied on or in respect of eligible expenditures relating to a Subproject, or any part thereof, and

(ii) the amount of each Grant shall not exceed 80 percent of the total cost of the Subproject;

(f) goods, services and works required for the purposes of financing Subprojects shall be procured in accordance with procedures referred to in Schedule 3 to this Agreement, and set forth in the Project Operational Manual; and

(g) for purposes of each Grant, the Borrower shall conclude an agreement with the Beneficiary in the form of the model provided in the Project

Operational Manual, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, the amount of the Beneficiary's contribution to the cost of the Subproject, and the right of the Borrower to

(i) require the Beneficiary (A) to carry out the Subproject with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering and technical practices, and with due regard to ecological and environmental factors, and to maintain adequate records, and (B) upon completion of the Subproject, to make provision for the maintenance of the productive assets resulting therefrom, and for the payment of recurrent expenditures generated thereunder,

(ii) obtain all such information as the Association or the Borrower shall reasonably request relating to the implementation of the Subproject and the performance of the Beneficiary thereunder, and

(iii) suspend or terminate the right of the Beneficiary to the use of the proceeds of a Grant upon failure by such Beneficiary to perform its obligations under such agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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, as well as amounts paid or to be paid under Grants, 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 \$4,000,000 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 \$2,000,000 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 10,000,000.

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

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

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

into the Special Account such amount or amounts as the Borrower shall have requested.

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account, 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 for the Special Account.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making

payments for eligible expenditures.

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

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

