

CONFORMED COPY

CREDIT NUMBER 3287 BU

Project Agreement

(Second Social Action Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TWITEZIMBERE

Dated October 28, 1999

CREDIT NUMBER 3287 BU

PROJECT AGREEMENT

AGREEMENT, dated October 28, 1999, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and TWITEZIMBERE.

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Burundi (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to nine million Special Drawing Rights (SDR 9,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Twitezimbere agree to undertake such obligations towards the Association as are set forth in this Agreement;

(B) by a Convention to be entered into between the Borrower and Twitezimbere (the Convention), the proceeds of the Credit provided for under the Development Credit Agreement will be made available to Twitezimbere on the terms and conditions set forth in the Convention; and

WHEREAS Twitezimbere, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Twitezimbere declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and management practices and shall provide, or cause to be provided, 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 Association, the Borrower, and Twitezimbere shall otherwise agree, Twitezimbere shall carry out the Project in accordance with the Implementation Program set forth in Schedule 3 to the Development Credit Agreement and the Twitezimbere Implementation Program set forth in Schedule 2 to this Agreement.

(c) Twitezimbere undertakes that, unless the Association shall otherwise agree, Subproject Grants will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Section II of Schedule 2 to this Agreement.

(d) Twitezimbere shall exercise its rights under each Subproject Grant Agreement in such manner as to (i) protect the interests of the Borrower, the Association, and Twitezimbere; (ii) comply with its obligations under this Agreement and the Convention; and (iii) achieve the purposes of the Project.

Section 2.02. 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 1 to this Agreement.

Section 2.03. Twitezimbere shall perform all its obligations under the Convention. Except as the Association shall otherwise agree, Twitezimbere shall not take or concur in any action which would have the effect of amending, abrogating, assigning, or waiving the Convention or any provision thereof.

Section 2.04. (a) Twitezimbere shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and the Convention, and other matters relating to the purposes of the Credit.

(b) Twitezimbere shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Twitezimbere of its obligations under this Agreement and under the Convention.

Section 2.05. Twitezimbere shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and the Project.

Section 2.06. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Twitezimbere shall take steps to:

(a) prepare, on the basis of guidelines acceptable to the Association, and submit to the Borrower, for onward transmission 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 and Twitezimbere on said plan.

ARTICLE III

Management and Operations of Twitezimbere

Section 3.01. Twitezimbere shall carry on its operations and conduct its affairs in accordance with sound administrative, engineering, financial, and management practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Twitezimbere shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, engineering, financial, and management practices.

Section 3.03. Twitezimbere shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) Twitezimbere shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with sound accounting standards acceptable to the Association and consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources, and expenditures for, and in connection with, carrying out the Project.

(b) Twitezimbere shall:

(i) have its records, accounts, and financial statements (balance sheets, statements of income and expenses, and related statements) for each fiscal year audited, in accordance with appropriate auditing standards acceptable to the Association and 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 (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, Twitezimbere shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable Twitezimbere, not later than June 30, 2002 or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and

expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, Twitezimbere shall prepare, in collaboration with the Borrower and in accordance with guidelines acceptable to the Association, and furnish to the Borrower for onward transmission to the Association, not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of Twitezimbere thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Twitezimbere of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, DC

Telex:

248423 (MCI) or
64145 (MCI)

For Twitezimbere:

B.P. 2415
Bujumbura
Burundi

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Twitezimbere, or by Twitezimbere on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Director or such other person or persons as Twitezimbere shall designate in writing, and Twitezimbere shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Acting Regional Vice President
Africa

TWITEZEMBERE

By /s/ Thomas Ndikumana

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) 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 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: Procurement Procedures

1. National Competitive Bidding

Works and goods estimated to cost the equivalent of \$30,000 or more per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent for works and \$400,000 for goods, 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 \$30,000 per contract, up to an aggregate amount not to exceed \$450,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost \$7,500 or more but less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$3,500,000 equivalent, may be procured, as described in the MOP, under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least 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. Prequalification shall be widely advertised in the local press and updated every six months. Qualification criteria, scope of works to be completed during the next twelve months, and their location shall be made known to all candidates.

4. Community Participation

Goods and works involving community participation and costing less than \$7,500 per contract, up to an aggregate amount not to exceed \$700,000, shall be procured in accordance with procedures acceptable to the Association and described in the MOP.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project 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 \$75,000 or more for goods and works, 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 (a) 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 and January 1999 (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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 shortlist of consultants for services estimated to cost less than \$50,000 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 of the Project 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 supplied by NGOs for Subprojects which are estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, 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.

3. Selection Based on Consultants' Qualifications

Services for (a) participatory rural assessment, (b) the design and supervision of infrastructure projects, and (c) training, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines. Twitezimbere will maintain and update a list of qualified firms following advertisement, in order to obtain expressions of interest, as described in the MOP.

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 \$50,000 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 \$20,000 or more and for all contracts relating to the employment of Twitezimbere's high level staff, the qualifications, experience, terms of reference, and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

Twitezimbere Implementation Program

Section I: General

1. Except as the Association shall otherwise agree, Twitezimbere shall (a) carry out the Project in accordance with the MOP and the Convention; and (b) not amend or waive the MOP or the Convention or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. Twitezimbere shall maintain, until the completion of the Project, competent staff in adequate numbers, all with terms of reference, qualifications, and experience acceptable to the Association, including (i) an administrative and finance officer; (ii) a procurement officer; (iii) a specialist in participatory techniques; (iv) a project officer; and (v) an accountant; who shall all be employed in accordance with the provisions of Section II of Schedule 1 to this Agreement.

3. Twitezimbere shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association by March 31 of each year, 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 Association, by June 30 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(d) carry out, jointly with the Borrower and the Association, no later than June 30, 2002, a midterm review of the progress made in carrying out the Project. The said midterm review shall cover, among other things, (i) progress in meeting the Project's objectives; and (ii) performance by Twitezimbere of its obligations under the Project; and

(e) implement the recommendations of the review referred to in subparagraph (d) of this paragraph, as agreed with the Borrower and the Association and set out in a time-bound action plan satisfactory to the Association.

Section II: Part A.1 of the Project/ Subprojects

1. Eligibility Criteria for Subprojects

No Subproject shall be eligible for financing out of the proceeds of this Credit unless Twitezimbere has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the MOP, that the Subproject satisfies the eligibility criteria specified in the MOP, including, in particular, the following:

(a) the Subproject shall be for basic infrastructure services, including water supply, roads, sanitation systems, rehabilitation of schools, forestry, health centers, markets, and early childhood development services;

(b) the Subproject shall be initiated by Beneficiaries;

(c) the Subproject shall be targeted at lower income group beneficiaries, as determined in the MOP;

(d) the Subproject shall be designed in such a way that its mode of implementation is labor-intensive and provides maximum employment opportunities within sound economic parameters;

(e) the Subproject shall be designed in such a way that its operation and maintenance shall be sustainable; and

(f) the Subproject shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety, and environmental protection, as well as the Association's applicable guidelines.

2. Terms and Conditions Regarding Subprojects

Subprojects shall be carried out pursuant to Subproject Grant Agreements, to be concluded between Twitezimbere and the legally established and authorized representative or representatives of the Beneficiaries, under terms and conditions satisfactory to the Association, which shall, inter alia, include the following:

(a) financing by Twitezimbere to be on a grant basis, except that all Beneficiaries shall make a contribution of at least 10% as provided for in the MOP;

(b) the obligation to carry out the Subproject in accordance with the MOP, with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures in respect of the Subproject;

(c) the requirement that (i) the goods, works, and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 1 to this Agreement; and (ii) such goods, works, and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of Twitezimbere to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants, and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of Twitezimbere to obtain all information as Twitezimbere or the Association shall reasonably request regarding the administration, operation, and financial condition of the Subproject; and

(f) the right of Twitezimbere to suspend or terminate the right of the Beneficiaries to use the proceeds of the Credit for the Subproject upon the failure by the Beneficiaries to perform any of their obligations under the relevant agreement.

