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**CREDIT NUMBER 3931 MD**

# **Development Credit Agreement**

**(Social Investment Fund II Project)**

**between**

**REPUBLIC OF MOLDOVA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 18, 2004**

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**CREDIT NUMBER 3931 MD**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 18, 2004, between REPUBLIC OF MOLDOVA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), 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 October 6, 1999) with the following modification (the General Conditions) constitute an integral part of this Agreement: the text in Section 5.01 which reads “(a) on account of expenditures in the territories of any country which is not a member of the Association or for goods produced in, or services supplied from, such territories; or (b)” is deleted in its entirety.

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

(a) “Beneficiary” means any community, organization or agency eligible for assistance under the Project in accordance with the requirements set forth or referred to in the Operational Manual (hereinafter defined);

(b) “Community Foundation” means a local independent grant-making institution supporting citizen initiatives aimed at improving quality of life in a community and based on broad partnership of local business community, citizens and governmental institutions;

- (c) “EGPRS” means the Economic Growth and Poverty Reduction Strategy;
- (d) “EIA” means the Environmental Impact Assessment to be carried out for Sub-projects (hereinafter defined) requiring such assessment in accordance with the requirements of the Operational Manual (hereinafter defined);
- (e) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (f) “Grant” means a grant made or to be made to a Beneficiary for a Sub-project or Sub-projects in accordance with the requirements set forth or referred to in the Operational Manual;
- (g) “Grant Agreement” means the agreement to be entered into between a Beneficiary and the MSIF (hereinafter defined) pursuant to the provisions of Section 3.01 (e) of this Agreement, for the provision to the Beneficiary of a Grant for the carrying out of a Sub-project or Sub-projects, as the same may be amended from time to time;
- (h) “Implementation Agreement” means the agreement to be entered into between the Borrower and MSIF (hereinafter defined) pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement;
- (i) “Implementing Agency” means any community organization, NGO (hereinafter defined) or agency identified by a Beneficiary to be responsible for implementation of a Sub-project on behalf of the Beneficiary in accordance with the requirements set forth or referred to in the Operational Manual;
- (j) “Lei” means the lawful currency of the Borrower;
- (k) “MSIF” means the Moldova Social Investment Fund, or any successor thereto, established under the Borrower’s Decision No. 468 of May 19, 1997, as an autonomous public interest agency, created by the Borrower to contribute to poverty alleviation in rural communities and among disadvantaged groups;
- (l) “MSIF EO” means the Executive Office of the MSIF responsible for the implementation of the Project;
- (m) “NGO” means a non-governmental organization eligible for participation in the Project in accordance with the criteria and principles set forth or referred to in the Operational Manual;
- (n) “National Board” means the MSIF National Board established by the Borrower to provide policy guidance and oversight of Project implementation;

(o) “Operational Manual” means the Operational Manual (hereinafter defined) including all Annexes, satisfactory to the Association, prepared by the MSIF and adopted by the National Board for the carrying out of the Project, included in the PIP, as the same may be amended from time to time with the agreement of the Association;

(p) “PIP” means the Project Implementation Plan for the carrying out of the Project, prepared and adopted by the Borrower, as the same may be amended from time to time with the agreement of the Association;

(q) “Procurement Plan” means the MSIF’s procurement plan, dated May 5, 2004 covering the initial 12 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.03 to this Agreement, to cover succeeding 12 month periods (or longer) of Project implementation;

(r) “Project Account” means the Account to be opened by the Borrower, for purposes of making available its counterpart contribution to the financing of the Project, in accordance with the provisions of Section 6.01 (b) of this Agreement; and

(s) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(t) “Sub-project” means a specific project to be carried out by a Beneficiary through an Implementing Agency under the Project utilizing the proceeds of a Grant in accordance with the requirements set forth or referred to in the Operational Manual.

## **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 thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (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 and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree amounts to be paid) on account of Grants under Grant Agreements under Parts A and B of the Project.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, on terms and conditions

satisfactory to the Association, 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 March 31, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty (60) 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 June 1 and December 1 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 semiannual installments payable on each June 1 and December 1 commencing December 1, 2014 and ending June 1, 2044. Each installment to and including the installment payable on June 1, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the

Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

Section 2.08. The currency of the 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 cause the MSIF to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and social services 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 Association shall otherwise agree, the Borrower shall cause the MSIF to carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make the proceeds of the Credit available to the MSIF under the Implementation Agreement to be entered into between the Borrower and the MSIF, under terms and conditions which shall have been approved by the Association, including those set forth in paragraph 1 of Schedule 4 to this Agreement.

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

(e) For the purposes of Parts A and B of the Project, the Borrower, through the MSIF, shall make a portion of the proceeds of the Credit available to eligible Beneficiaries under a grant agreement (the Grant Agreement) to be entered into between the MSIF and each Beneficiary, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 5 to this Agreement.

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

Section 3.02. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall: (a) maintain the Project Account referred to in Section 6.01 (c) of this Agreement, and shall replenish said account promptly every quarter with sufficient funds to enable the Borrower to meet its obligations under Section 3.01 of this Agreement for such period; (b) use the amount in said Project Account for financing the



Borrower's contribution to Project expenditures; and (c) ensure that sufficient annual allocations will be made in the Borrower's budget for the Borrower's counterpart contribution to the costs of the Project.

Section 3.03. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.04. For the purposes of Section 9.06 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.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower through the MSIF shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause the MSIF to:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies

of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 through the MSIF shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower through the MSIF shall prepare and furnish to the Association a Financial Monitoring Report for such period, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Borrower or the MSIF shall have failed to perform any of their respective obligations under the Implementation Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as an additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Implementation Agreement has been executed on behalf of the Borrower and MSIF; and

(b) the Borrower has opened in Lei the Project Account in a commercial bank acceptable to the Association, and has deposited into said account an initial amount equivalent to \$50,000.

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

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

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

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
7, Cosmonautilor Street  
Chisinau 2005  
Republic of Moldova

Telex:

(3732) 22810

Facsimile:

(3732) 221 307

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)

Facsimile:

(202) 477-6391

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 MOLDOVA

By /s/ Valerian Cristea

Authorized Representative

ASSOCIATION INTERNATIONAL DEVELOPMENT

By /s/ Luca Barbone

Authorized Representative

**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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods  of  other	70,000	100 % of foreign expenditures, 100% of local expenditures (ex- factory cost) and 100%  local expenditures for  items procured locally
(2) Consultants' services, including auditing services	1,470,000	100% for foreign consulting firms and foreign individual consultants, 96% for local consulting firms and 80% for local individual consultants and 100% of eligible social charges
(3) Training, study tours and studies	90,000	100%
(4) Grants under Grant amounts Agreements for Sub-projects under Parts A and B of the Project	11,920,000	100% of eligible  disbursed under Grant Agreements
(5) Incremental Operating Costs of the MSIF	<u>250,000</u>	90%

TOTAL	<u>13,800,000</u>
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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 supplied from the territory of any country other than that of the Borrower;

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

(c) the term “foreign consulting firm” means a consulting firm which is registered or incorporated in the territory of any country other than that of the Borrower;

(d) the term “foreign individual consultant” means an individual consultant who is not a citizen of the territory of the Borrower;

(e) the term “local consulting firm” means a consulting firm or NGO which is registered or incorporated in the territory of the Borrower;

(f) the term “local individual consultant” means an individual consultant who is a citizen of the territory of the Borrower;

(g) the term “eligible social charges” means the employer’s contribution to social and medical charges assessed by the Borrower on employment contracts with citizens of the Borrower;

(h) the term “training” means expenditures incurred on account of the carrying out of courses, seminars, workshops, and conferences for the Project to be held locally or abroad; and

(i) the term “Incremental Operating Costs of the MSIF” means expenditures incurred by the MSIF on account of management of Project implementation for office supplies, rent, utilities, communications, office equipment, operating expenses, bank charges for the Special Account, fuel, travel expenditures for Project purposes and per diem allowances, and such other expenditures as may be agreed upon by the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of 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: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than



\$150,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms and \$50,000 equivalent each for individual consultants; (d) incremental operating costs of the MSIF; (e) Grants; and (f) training, study tours and studies, all 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 contribute to the implementation of the Borrower's EGPRS by empowering poor communities and vulnerable population groups to manage their priority development needs.

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 Development**

##### **1. Rural Community Development**

Provision of Grants to Beneficiaries for the carrying out by Implementing Agencies of Sub-projects, in accordance with the requirements set forth or referred to in the Operational Manual.

##### **2. Small Towns Community Development**

Development of strategic plans by small towns and provision of Grants for the carrying out of Sub-projects in accordance with the requirements set forth or referred to in the Operational Manual.

#### **Part B: Social Care Services Development**

##### **1. Preparation of Master Plans**

Preparation of master plans for selected rayons through the carrying out of an exercise of mapping needs for demand of population for social care services, current existing residential and nonresidential services, matching the demand and supply and identifying gaps.

##### **2. Social Care Services Sub-projects**

Based on identified gaps, provision of Grants to Beneficiaries in accordance with the requirements set forth or referred to in the Operational Manual for provision of the identified services.

3. Training and Technical Assistance

Provision of training and technical assistance in accordance with the requirements set forth or referred to in the Operational Manual to local NGOs and other social service providers to support development of capacities.

Part C: Capacity Development, Communication, Monitoring and Evaluation

1. Capacity building of governmental institutions and learning of policy lessons. Provision of technical assistance and training to central ministries and the MSIF to enable the learning of lessons from the implementation of the Social Investment Fund Project that are relevant to the national policy development.

2. Communication, dissemination and replication of best practices. Financing of public information campaigns and development of publications that summarize best practices and development of television and radio programs.

3. Monitoring and Evaluation. Financing of monitoring and evaluation activities, including impact assessment, management information system and participatory monitoring and evaluation through provision of technical assistance, equipment and training.

4. Community Foundations. Development of two Community Foundations in selected communities in accordance with the requirements set forth or referred to in the Operational Manual.

Part D: Project Management

Provision of technical assistance, including auditing services, training, equipment and incremental operating costs for the operation of the MSIF for purposes of Project management and implementation.

\* \* \*

The Project is expected to be completed by September 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

###### 1. National Competitive Bidding.

Goods for Sub-projects estimated to cost less than \$100,000 equivalent per contract and works for Sub-projects estimated to cost less than \$150,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

(a) Eligibility

Bidding shall not be restricted to domestic firms.

(b) Procedures

'Open procedures' shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

(c) Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 30 days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(d) Participation by Government-owned enterprises

Government-owned enterprises in the Republic of Moldova shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

(e) Participation by Joint Ventures

Participation shall be allowed from joint ventures on the condition that such joint venture partners will be jointly and severably liable under the Contract.

(f) Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, and shall contain draft contract and conditions of contract, all acceptable to the Association.

(g) Bid Opening and Bid Evaluation

- (i) Bids shall be opened in public, immediately after the deadline for submission of bids.
- (ii) Bids must be made in writing in original and facsimile copies are not acceptable.
- (iii) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.
- (iv) Extension of bid validity shall be allowed once only for not more than 30 days. No further extensions should be requested without the prior approval of the Association.

- (v) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

- (h) Price Adjustment

Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

- (i) Rejection of Bids

All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

- (j) Contracts

All contracts shall be in writing, signed and stamped by authorized signatories of the Purchaser and the Supplier and contain identical terms and conditions of contract to those included in the tender documents.

- (k) Securities

Bid Securities, where applicable, should not exceed 2% (two percent) of the estimated cost of the contract; Performance Securities, where applicable, not more than 10% (ten percent). No advance payments shall be made to Contractors without a suitable Advance Payment security. The wording of all such securities shall be included into the bidding documents and be acceptable to the Association.

- (l) Preference for Domestic Contractors

Preference for Domestic contractors will be disallowed.

2. Shopping. Off-the-shelf goods or standard specification commodities estimated to cost less than \$50,000 equivalent per contract and small works estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Community Participation. Goods for Sub-projects under contracts estimated to cost less than \$100,000 equivalent each, works for sub-Projects under contracts estimated to cost less than \$150,000 equivalent each and services for Sub-projects under contracts

estimated to cost less than \$5,000 equivalent each, may be procured on the basis of community participation in accordance with the following procedures: local advertisement and public bids opening in line with the sample bidding documents and standard contract forms specifically developed in the Procurement Handbook. NGOs, local contractors and other community-based organizations, registered according to legislation, will be allowed to bid. Evaluation will be done as prescribed in sample bidding documents, evaluation report form on the lowest evaluated cost basis. Additional features of these procedures are detailed in the Procurement Handbook.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded

to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.



## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall cause MSIF to carry out the Project, in accordance with the requirements set forth or referred to in the PIP, the Operational Manual and the Implementation Agreement to be entered into between the Borrower and MSIF under terms and conditions which shall have been agreed upon with the Association and which shall include, inter alia, provisions whereby: (a) the Borrower shall make the proceeds of the Credit available to MSIF in the form of a grant; (b) MSIF shall be required to implement the Project in accordance with the PIP, the Operational Manual and the provisions of this Agreement; and (c) MSIF shall be required as part of its responsibility for Project implementation to: (i) prepare and furnish to the Association, by February 15 in each year, for its review and concurrence, an annual work program for the Project for the following calendar year, including procurement and financing plans, and an annual progress report; (ii) maintain the Project financial records and accounts and to arrange for the audit thereof; (iii) prepare applications for withdrawal of the proceeds of the Credit; (iv) manage the Special Account referred to in Section 2.02 (b) of this Agreement; (v) participate in administration of bidding procedures and of contracts under the Project and assist the Implementing Agencies in the preparation of bidding and contract documents for activities to be financed under the Grant Agreements and ensure that goods, works and services are procured in accordance with the provisions of Schedule 3 to this Agreement; (vi) supervise the implementation of the Project, including supervising the progress of each Sub-project; (vii) carry out monitoring and evaluation activities under the Project, including: (A) a baseline assessment report to be submitted to the Borrower and the Association by December 31, 2004; (B) the first impact assessment to be carried out by September 30, 2006; and (C) the last impact assessment to be carried out prior to the completion of Project; and (viii) ensure compliance of operations under the Project with the requirements set forth or referred to in the Operational Manual and this Agreement.
2. The Borrower shall maintain the MSIF EO until completion of the Project with staff, resources, and terms of reference satisfactory to the Association.
3. The Borrower shall maintain the National Board until completion of the Project, with composition and terms of reference satisfactory to the Association.
4. The Borrower shall ensure that EIAs shall be carried out in a timely manner for all Sub-projects requiring such EIAs and in compliance with: (a) environmental standards satisfactory to the Association; and (b) all applicable laws and regulations of the Borrower relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such EIAs in the FMRs for the Project.

5. The Borrower shall maintain the Operational Manual in form and content at all times satisfactory to the Association, and shall include in the Operational Manual provisions governing the activities under the Project, concerning, inter alia: (a) the eligibility criteria for Beneficiaries and Implementing Agencies; (b) the principles and procedures to be followed for the appraisal, approval and supervision of Sub-projects and Grants; (c) the terms and conditions to be included in the Grant Agreements; and (d) the indicators to be utilized by the MSIF in monitoring the progress of the Project.

6. The Borrower 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 on or about September 30, 2006, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by December 31, 2006, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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.

## **SCHEDULE 5**

### **Principal Terms and Conditions of the Grant Agreements**

#### Part A: Funding of Sub-projects

1. The Borrower shall cause the MSIF to provide financing for approved Sub-projects on the basis of a Grant Agreement, to be entered into between the MSIF and an Implementing Agency on behalf of a Beneficiary (or Beneficiaries). Each Grant Agreement shall include, inter alia:

(a) a description of the Sub-project, together with an estimate of the cost thereof, and the obligation of the Implementing Agency to carry out said Sub-project;

(b) the implementation schedule for the Sub-project;

(c) the degree to which cost sharing, in accordance with the principles set forth in the Operational Manual, shall be required to be made by the Beneficiary with respect to the financing of the Sub-project for the implementation of which assistance is provided to such Beneficiary under the Grant Agreement;

(d) the obligation of the Implementing Agency to procure goods, works and services to be financed under the Grant Agreement in accordance with the procedures set forth in the Operational Manual;

(e) the obligation of the Implementing Agency, at the request of the Borrower and the Association, to exchange views with the Borrower and the Association with regard to the progress of a Sub-project, the performance of its obligations under the respective Grant Agreement, and other matters relating to the purposes of the Credit and to enable representatives of the Borrower and the Association to visit the facilities, construction sites or other activities to be financed under the Grant Agreement; and

(f) the obligation of the Implementing Agency to maintain records and accounts for expenditures incurred under the Sub-project and financed from the proceeds of the Credit made available to the Implementing Agency under the Grant Agreement and to submit to the MSIF at regular intervals statements with respect to such records and accounts.

2. The first three Grant Agreements under each of Parts A and B of the Project shall be subject to the Association's prior review and agreement.

Part B: Operation and Maintenance of Sub-projects

1. The Borrower shall cause the MSIF to ensure that each Grant Agreement contains provisions regarding the operation and maintenance of each Sub-project and the monitoring of said operation and maintenance activities and shall include in the annual progress report referred to in paragraph 1 of Schedule 4 to this Agreement information concerning the carrying out of said activities.

Part C: Monitoring and Evaluation

1. The Borrower shall cause the MSIF EO to:

(a) employ, in accordance with the provisions of Section III of Schedule 3 to this Agreement, consultants with qualifications, experience and terms of reference satisfactory to the Association, to carry out procurement and technical reviews of selected Sub-projects, the first such review to be carried out by December 31, 2005; and

(b) thereafter, carry out every two years until completion of the Project and submit to the Borrower and the Association for its review and comment, reviews of samples of completed Sub-projects, including information and analysis adequate to support the conclusion that the selection of Sub-projects, Beneficiaries, and Implementing Agencies and the determination of the terms and conditions of Grant Agreements are all made in accordance with the principles set forth in the Operational Manual.

2. The Borrower shall cause the MSIF and the Implementing Agencies and Beneficiaries to carry out participatory monitoring and evaluation of each Sub-project based on a set of agreed monitoring indicators, as set forth in each Grant Agreement.

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## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$2,000,000 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 \$1,000,000, 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 3,000,000.
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, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

such amounts remaining on deposit in the Special Account 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.