

CONFORMED COPY

CREDIT NUMBER 3561 COB

Development Credit Agreement

(Emergency Demobilization and Reintegration Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 8, 2001

CREDIT NUMBER 3561 COB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 8, 2001, between REPUBLIC OF CONGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated June 26, 2001 describing a program of actions to address the Emergency (as hereinafter defined) (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), which forms part of the Program has requested the Association to: (i) assist in the financing of the Project; and (ii) provide assistance in support of the Program during the execution thereof; 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 modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "BEAC" means Banque des Etats d'Afrique Centrale, the sub-regional central bank for central African states, among which the Borrower, using the FCFA (as hereinafter defined) as their common currency;

(b) "CONADER" means Commission Nationale de Démobilisation et de Réinsertion, the Borrower's oversight committee for demobilization and Reinsertion of ex-combatants to be established by the Borrower for the monitoring of activities under the Project and the supervision of the management of Credit proceeds;

(c) "Eligible Beneficiaries" means: (i) about 10,000 demobilized ex-combatants and their families; (ii) war affected communities living in the most affected Regions in the territory of the Borrower, as determined by the Borrower; and (iii) communities in need of reconstruction of their social and economic infrastructure;

(d) "Emergency" means the extraordinary event of limited duration which, for the purposes of this Agreement, started in June 1997, and which was caused by the internal armed conflict which culminated in the signing of a cease fire and cessation of hostilities agreement in December 1999;

(e) "Emergency Grant" means a grant made to an Eligible Beneficiary out of the proceeds of the Credit for Subprojects in: (i) reconstruction of social and economic infrastructure; or (ii) training and income generation activities;

(f) "FCFA" and "CFA Franc" mean Franc de la Coopération Financière Africaine, the currency of the Borrower;

(g) "Fiscal Year" and "FY" mean the Borrower's fiscal year, commencing January 1 and ending December 31 twelve calendar months thereafter;

(h) "HCREX" means Haut Commissariat à la Réinsertion des Ex-Combatants, the Borrower's High Commission for Demobilization and Reinsertion of Ex-Combatants, established by presidential decree No. 2001-333, dated June 22, 2001 and responsible for the implementation of the Project;

(i) "Project Implementation Manual" and "PIM" mean the manual referred to in Section 7 (b) of this Agreement consisting of different modules setting forth, inter alia: (i) the administrative, financial and accounting, procurement, and disbursement procedures; (ii) eligibility criteria for the various Eligible Beneficiaries, terms

and conditions of Emergency Grants including procurement and accounting procedures thereof, training plans and capacity building programs; and (iii) other activities and arrangements to be used for the purpose of implementing the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(j) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(k) "Project Year" and "PY" mean each twelve month period during Project Implementation starting from the date after the Effective Date;

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

(m) "Subproject" means: (i) a specific infrastructure rehabilitation project to be carried out by, or for the benefit of, an Eligible Beneficiary; or (ii) training plans for, and income generation activities to be carried out by, demobilized ex-combatants or their families utilizing the proceeds of an Emergency Grant referred to in Parts B and C.2 of the Project.

## 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 four million Special Drawing Rights (SDR 4,000,000).

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 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, to be paid) by HCREX on account of withdrawals made for the benefit of an Eligible Beneficiary under an Emergency Grant to meet the reasonable cost of goods and services required for the carrying out of a Subproject to be financed under Parts B and C.2 of the Project, 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: (i) in Dollars, a special deposit account in BEAC (the Deposit Account) for Part A of the Project, on terms and conditions satisfactory to the Association; and (ii) in FCFA, a special deposit account in a commercial bank (the Special Account) for Parts B, C and D of the Project, 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 5 to this Agreement.

Section 2.03. The Closing Date shall be February 28, 2005 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 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 semiannual installments payable on each June 15 and December 15 commencing December 15, 2011 and ending June 15, 2041. Each installment to and including the installment payable on June 15, 2021 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 increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through HCREX with due diligence and efficiency and in conformity with appropriate financial, technical, engineering, administrative, demobilization and reintegration 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 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 9.06 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 sustainability of the achievements of the Project and the future operation of the Program; 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 shall establish no later than September 30, 2001 and thereafter 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 related to 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 statements, records and accounts and 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 Project Management Reports or 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 Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower 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 the Borrower, not later than 18 months after the Effective Date, 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, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Other Covenants

Section 5.01. The Borrower shall cause HCREX:

(a) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical and engineering practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(b) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

#### ARTICLE VI

##### Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) An extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

(b) Presidential Decree No. 2001-333 of the Borrower establishing HCREX shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of HCREX to perform any of its obligations; Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. 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 Borrower has established, in accordance with Section 4.01 of this Agreement, a financial management and accounting system for the Project satisfactory to the Association;

(b) the Borrower has adopted the PIM referred to in Schedule 4 to this Agreement, in form and substance satisfactory to the Association;

(c) the Borrower has established HCREX, with mandate and staff having functions and experience satisfactory to the Association;

(d) the Borrower has appointed external auditors with qualifications and experience satisfactory to the Association and has employed them in accordance with the provisions of Section II of Schedule 3 to this Agreement for purposes of auditing the financial statements; and

(e) the Borrower has completed the procurement plan for the first year of Project implementation, satisfactory in form and substance to the Association.

Section 7.02. 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 VIII

##### Representative of the Borrower; Addresses

Section 8.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy, Finance and Budget  
BP 2083  
Brazzaville  
Republic of Congo

Facsimile:

(242) 814 145

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS                      248423 (MCI) or              (202) 477-6391  
Washington, D.C.              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 CONGO

By /s/ Mathias Dzon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers

Acting 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) Eligible imports Required for Part A of the Project, as specified in the Annex to this Schedule		100% of foreign expenditures
(a)	1,200,000	
(b)	1,200,000	
(2) Goods	160,000	100% of foreign expenditures and 80% of local expenditures
(3) Emergency Grants	180,000	100% of amounts disbursed
(4) Consultants' services, training and audits	800,000	100%
(5) Operating costs	400,000	100%
(6) Unallocated	60,000	
TOTAL	4,000,000	

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;

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



and

(c) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, Special Account banking charges, utilities, travel, per diem and supervision costs, salaries of locally contracted employees, but excluding salaries of officials of the Borrower's civil service.

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

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

(b) expenditures under Category (1) for goods supplied under a contract which any international financing institution or agency other than the Association shall have financed or agreed to finance under another credit;

(c) except as the Association shall otherwise agree, expenditures under Category (1) in excess of an aggregate amount equivalent to 30% of the amount allocated to such Category for any class of eligible imports specified in the Annex to this Schedule;

(d) expenditures under Category (1) for goods intended for military or paramilitary purposes, luxury consumption and used goods;

(e) expenditures under Category (1) (b) until the Borrower has furnished to the Association the information referred to in paragraph 4 (a) of Schedule 4 to this Agreement, in form and substance satisfactory to the Association; and

(f) expenditures under Category (3), unless Emergency Grants have been made in accordance with the procedures, terms and conditions referred to in the PIM and outlined in Schedule 4 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: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$100,000 equivalent each; (c) services, including for the carrying out of training and studies, under contracts costing less than \$100,000 equivalent each for consulting firms, and less than \$50,000 equivalent each for individual consultants; (d) Emergency Grants; and (e) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

#### ANNEX TO SCHEDULE 1

##### Classes of Eligible Imports to be financed under the Project

1. Agricultural, livestock, fishing, and handicrafts equipment and inputs.
2. Construction materials.
3. Transport vehicles and spare parts.
4. School supplies and equipment.
5. Medical supplies and equipment.
6. Construction equipment, industrial machinery and spare parts.
7. Electrical equipment, machinery, materials and parts.
8. Industrial raw materials and chemicals.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) providing sound post-conflict reintegration options to currently unemployed ex-combatants; (ii)

rehabilitating physical and social infrastructure; and (iii) achieving macroeconomic stability.

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: Demobilization and Reintegration

1. Conducting a proper physical and mental discharge of ex-combatants through: (i) the importation of goods specified in the Annex to Schedule 1 to this Agreement for medical and prosthetic treatment purposes, (ii) provision of technical advisory services for the carrying out of health and trauma clinics and related activities, and (iii) support for urgent needs of, and transportation arrangements for, ex-combatants settling back in their communities.
2. Carrying out a census of all Eligible Beneficiaries concerned.

Part B: Social Reintegration

Provision of Emergency Grants to Eligible Beneficiaries in regional communities affected by the conflict for the construction and rehabilitation of social, economic and cultural infrastructure, including health and education facilities.

Part C: Economic Reintegration

1. Carrying out training and apprenticeship activities for ex-combatants in professional areas of interest to them.
2. Provision of Emergency Grants to ex-combatants for income generation purposes, including in agro-processing small industries, trade, livestock and fishing sectors.
3. Carrying out studies on agricultural opportunities for reintegration of ex-combatants.

Part D: Institutional Strengthening and Capacity Building

1. Provision of technical advisory services to HCREX for the carrying out of reinsertion activities.
2. Carrying out capacity building activities in reinsertion programs for the staff of HCREX.

\* \* \*

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. 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, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.
2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, and goods, which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Goods and works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 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.

4. Procurement from UN Agencies

Equipment and vehicles estimated to cost less than \$50,000 per contract, may be procured from the Inter Agency Procurement Service Office of the United Nations (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Part B and C.2 of the Project shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$50,000

or more, the following procedures shall apply:

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

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

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

### 3. Post Review

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

## Section II. Employment of Consultants

### Part A: General

1. 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 Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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

#### 2. Selection Based on Consultants' Qualifications

Services for reintegration and training of ex-combatants may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 3. Service Delivery Contractors

Services to be provided by social workers and medical personnel under Part A of the Project shall be procured in accordance with procedures acceptable to the Association.

#### 4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 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 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 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.

SCHEDULE 4

Implementation Program

Institutional settings

1. The Borrower shall establish and thereafter maintain for the duration of the Project the HCREX which shall be: (i) responsible for managing, coordinating and implementing the activities under the Project; (ii) assisted by competent staff in adequate numbers; (iii) headed by a High Commissioner with qualifications and experience satisfactory to the Association; (iv) assisted in its activities by liaison offices in all war affected regions; and (v) accountable and reporting to the CONADER.

2. The Borrower shall establish the CONADER no later than December 31, 2001: (i) to oversee and monitor all activities related to the Project and to supervise the management of Credit proceeds; and (ii) with membership drawn from the Borrower's ministries in charge of Economy, Finance and Budget, Interior, Labor and Youth, and to include the former General Secretary of the defunct Ceasefire Follow up Committee, and international observers.  
Project Implementation

3. The Borrower shall carry out the Project in accordance with the PIM, and shall not amend or waive any provision thereof which, in the opinion of the Association, shall materially or adversely impact the implementation of the Project. The process of identification and confirmation of the Eligible Beneficiaries, verification of the medical and social benefits, including transportation and settling-in costs, and flow of funds to the Eligible Beneficiaries and verification of the use of the funds for the purposes intended shall be in accordance with the provisions of the PIM.

4. The Borrower shall, within six months of the Effective Date and semiannually thereafter, furnish to the Association: (a) a list of Eligible Beneficiaries, identifying the amount of the funds for each and the agreed goods and services to be acquired by said Eligible Beneficiary; (b) verification that a sample of the Eligible Beneficiaries as agreed between the Borrower and the Association, have received their payments in accordance with the certified list; and (c) verification that a sample, as agreed between the Borrower and the Association, of the Eligible Beneficiaries have acquired the goods and services intended.

5. Without limitation to the provisions of paragraph 3 of this Schedule, no Subproject shall be eligible for financing out of the proceeds of the Credit unless

HCREX shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIM that the Subproject satisfies the eligibility criteria specified in the PIM, which shall include the following:

(a) the Subproject shall be for: (i) the rehabilitation of social, economic or infrastructure, or (ii) the carrying out of an income generating activity;

(b) the Subproject shall be in compliance with the standards set forth in the laws of the Borrower relating to health, safety and environmental protection;

(c) in financing Subprojects, HCREX shall enter into an agreement with the Eligible Beneficiary concerned under terms and conditions which shall include the following:

(i) financing shall be on a grant basis, not to exceed \$25,000 equivalent per Emergency Grant for Subprojects under Part B of the Project and not to exceed \$10,000 each for income generation Subprojects under Part C.2 of the Project; and

(ii) the requirement that the goods, works and services to be financed out of the proceeds of the Emergency Grant be procured in conformity with the provisions of Schedule 3 to this Agreement and that such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of HCREX to inspect by itself or jointly with the Association the goods, works, and constructions included in the Subproject, the operation thereof and any record or relevant document; and

(e) the right of HCREX to suspend or terminate the right of the Eligible Beneficiary to use the proceeds of the Credit upon its failure to perform any of its obligations under the agreement with HCREX.

6. The Borrower shall: (i) not later than the first quarter of Project implementation, and quarterly thereafter, carry out a review of activities under Parts B and C.2 of the Project; (ii) furnish the information from such review to the Association; and (iii) following such review act promptly to take all measures identified by such review.

#### Monitoring and evaluation

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Supplemental Letter No. 2 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2002 a 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;

(c) review with the Association, by February 28, 2002 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; and

(d) carry out at the end of each Project Year, beneficiary assessments and procurement reviews of the Project.

#### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 2 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 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 FCFA 250,000,000, 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 FCFA 125,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 500,000.

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 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.

#### SCHEDULE 6

##### Performance Indicators

Except as otherwise agreed by the Association, the Performance Indicators to be used for Project implementation are as follows:

Development Objectives	Progress Indicators
Security and reconciliation	Number of ex-combatants registered
	Number of ex-combatants who have received reintegration assistance in terms of training and micro-projects
Demobilization and reintegration	Number of disabled ex-combatants who have received social rehabilitation assistance

