

CONFORMED COPY

CREDIT NUMBER 3059-ANG

Development Credit Agreement
(Post-Conflict Social Recovery Project)

between

REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 7, 1998

CREDIT NUMBER 3059-ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 7, 1998, between REPUBLIC OF ANGOLA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions 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" or "Beneficiaries" means a community or communities, respectively, for whose benefit an activity under Part A of the Project is financed or proposed to be financed from the proceeds of the Credit;

(b) "Beneficiary Grant" means a grant made by the Borrower to a Beneficiary for the purpose of providing funds on a grant basis for the financing of a Sub-project (as hereinafter defined);

(c) "Beneficiary Grant Agreement" means the agreement entered into between the Borrower, through the Project Unit (as hereinafter defined), and a Beneficiary, providing for the terms and conditions of a Beneficiary Grant;

(d) "IAPSO" means the Inter-Agency Procurement Services Organization of the United Nations;

(e) "Implementation Manual" means the manual comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project, including those for use by the Implementing Organization (as hereinafter defined), such manual to be adopted pursuant to Section 5.01 (a) of this Agreement;

(f) "Implementing Organization" means an organization operating under the laws of the Borrower which is contracted by the Borrower to prepare a Municipio Recovery Plan (as hereinafter defined), or to implement a Sub-project (as hereinafter defined) under the management and supervision of the Project Unit (as hereinafter defined);

(g) "Kwanza Reajustado" or "Kzr" mean the currency of the Borrower;

(h) "MINARS" means the Borrower's Ministry of Social Assistance and Reintegration, established by Decreto-Lei No. 2/93, dated February 12, 1993;

(i) "Municipio Recovery Plan" means the planning document prepared by an Implementing Organization, in collaboration with a Beneficiary or Beneficiaries, describing, inter alia, the demographic, social, economic and physical characteristics of a Beneficiary or Beneficiaries and identifying possible rehabilitation and recovery work to be done by, or for, the Beneficiary or Beneficiaries;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter-Agreement, signed by the Association on July 24, 1996 and by the Borrower on August 29, 1996, as amended on May 30, 1997;

(k) "Project Unit" means the unit referred to in paragraph 1 of Section A of Schedule 4 to this Agreement;

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

(m) "Sub-project" means a specific rehabilitation or recovery activity proposed by a Beneficiary, within the scope of a Municipio Recovery Plan and financed, or proposed to be financed, through a Beneficiary Grant.

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 three million seven hundred thousand Special Drawing Rights (SDR 3,700,000).

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) amounts paid (or, if the Association shall so agree, amounts to be paid) by MINARS on account of withdrawals made by a Beneficiary under a Beneficiary Grant to meet the reasonable cost of goods and services required for a Sub-project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(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 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be September 30, 2001 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 April, 15 and October, 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April, 15 and October, 15 commencing April 15, 2008 and ending October 15, 2037. Each installment to and including the installment payable on October, 15, 2017 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 carry out the Project through MINARS with due diligence and efficiency and in conformity with appropriate administrative, financial, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the 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. The Borrower shall:

(a) open and maintain an account, in dollars or such other currency as may be acceptable to the Association, in a commercial bank (the Project Account), on terms and conditions satisfactory to the Association;

(b) make an initial deposit into such account in an amount of \$40,000 or its equivalent in other currency acceptable to the Association;

(c) deposit every six months, beginning on the date six months after the date of the initial deposit referred to under sub-paragraph (b) above, into the Project Account, such amounts, in dollars or such other currency as may be acceptable to the Association, as shall be required to replenish the Project Account, having regard to the program of work established by the Project Unit in accordance with the provisions of sub-paragraph (e) of paragraph 2 and sub-paragraph (c) of paragraph 3 of Part B of Schedule 4 to this Agreement; and

(d) ensure that the funds in the Project Account are used exclusively to make payments in order to meet expenditures made or to be made in respect of the reasonable cost of goods and services required for the Project and not financed from the proceeds of the Credit.

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

(a) prepare, on the basis of guidelines acceptable to the 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 designed to ensure the sustainability 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 shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

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

(a) the Borrower has adopted the Implementation Manual in form and substance acceptable to the Association; and

(b) the Borrower has opened the Project Account and made the initial deposit therein in accordance with Section 3.03 (b) of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Social Assistance and Reintegration

Hoji Ya Henda 117
Luanda
Republic of Angola

Fax: 244-2-348 265 or
244-2-341 444

For the Association:

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

Cable address: INDEVAS
Washington, D.C.

Telex: 248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF ANGOLA

By /s/ Antonio de Santos França
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib
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) Goods and works for Sub-projects	2,370,000	100% of amounts disbursed
(2) Consultants' services	780,000	100%
(3) Incremental operating costs	60,000	50%
(4) Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (c) of this Agreement

(5) Unallocated	40,000
TOTAL	3,700,000

2. For the purposes of this Schedule, "Incremental operating costs" means incremental expenses incurred by the Project Unit on account of Project implementation, management and monitoring, including office equipment and supplies, furniture, vehicle operation, travel and supervision costs 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) expenditures against Category (1) unless a Beneficiary Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement; and

(b) 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 Sub-projects costing less than \$50,000 equivalent each (except the first three contracts entered for any one Municipio costing more than \$30,000 equivalent), for expenditures for consultants' services under contracts costing less than \$100,000 and \$50,000 equivalent with consulting firms and individual consultants, respectively, and for all expenditures under incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) develop and test a participatory approach in the reintegration of vulnerable social groups in the territory of the Borrower and to assist in the reconstruction of basic social structures; and (b) strengthen the Borrower's capacities required to plan and implement a population reintegration support strategy.

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: Municipio Recovery Program

1. Carrying out a program of promotion and appraisal of Municipio Recovery Plans, and provision of Beneficiary Grants for the financing of Sub-projects, including, inter alia: (a) emergency support to the reintegration of population returning to communities affected by the conflict in the territory of the Borrower, including building materials and tools; (b) a phased program of rehabilitation of infrastructures, including small works, de-mining and strengthening of community institutions; and (c) vocational and basic skills training for Beneficiaries.

2. Carrying out an evaluation of the results achieved in the utilization of the participatory approach in the activities carried out in support of Beneficiaries and assessing the suitability of such participatory approach for replication in other parts of the Borrower's territory.

Part B: Formulation of a Reintegration Support Strategy

Preparation and implementation of a comprehensive framework for post-conflict rehabilitation of social and economic infrastructure in local communities and population reintegration, which addresses the needs of all segments of the population affected by the conflict in the territory of the Borrower and strengthening the Borrower's capabilities to plan, implement and monitor projects using a participatory approach, through the provision of technical advisory services.

* * *

The Project is expected to be completed by March 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost more than \$50,000 but less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods under Part B of the Project estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Office equipment, supplies and furniture may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community participation

Goods and works under Part A of the Project, estimated to cost less than \$50,000 per contract, may be procured in accordance with paragraph 3.15 of the Guidelines and with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract estimated to cost more than \$50,000 equivalent, and to the first three contracts entered in each Municipio estimated to cost more than \$30,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the

Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. In the procurement of consultants' services in accordance with the provisions of the preceding paragraph, the short list of consultants for consultants' services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Audit services 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 estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single-Source Selection

Services which are estimated to cost less than \$100,000 per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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 and (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, provided that the terms of reference for the respective assignments shall be subject to prior review and approval by the Association.

SCHEDULE 4

Implementation Program

Part A: Overall Project Implementation

1. The Borrower shall establish and maintain, within MINARS, not later than sixty (60) days after the Effective Date, a Project Unit to be headed by a General Manager, assisted by a staff in number and with qualifications satisfactory to the Association, which shall be responsible for the overall implementation of the Project in accordance with the provisions of Section 3.01 of this Agreement and in particular for: (a) selecting Implementing Organizations for the preparation and presentation of Municipio Recovery Plans; (b) screening and evaluating Municipio Recovery Plans and Sub-project applications under Part A of the Project; (c) making disbursements for Beneficiary Grants and maintaining adequate financial records for each Sub-project; (d) preparing and submitting replenishment requests and withdrawal applications to the Association; (e) monitoring implementation of the Project and submitting the required technical, financial and other reports to MINARS and to the Association; and (f) initiating studies and capacity building efforts necessary to allow for continuous monitoring of Project activities and achievement of the objectives of the Project.

2. The Borrower shall ensure that the position of General Manager of the Project Unit shall, at all times during the execution of the Project, be filled by a person having qualifications and experience satisfactory to the Association.

3. Except as the Association shall otherwise agree, the Borrower shall: (i) cause the Project Unit to apply, in the carrying out of the Project, the criteria, policies, procedures and guidelines set out in the Implementation Manual; and (ii) not amend or waive the Implementation Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

4. 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, at least two months before the date referred to under sub-paragraph (c) below, 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, at a date eighteen (18) months after the Effective Date or on a date specified by the Association after 50% of the proceeds of the Credit have been committed, whichever is earlier, 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;

(d) cause the Project Unit to furnish to the Association through MINARS quarterly financial reports summarizing progress in the carrying out of the respective Municipio Recovery Plans, including Sub-projects reviewed and approved, progress made in the implementation of Project-related activities and disbursement of funds for the Project;

(e) cause the Project Unit to submit semi-annual reports to the Association, beginning on the date six months after the Effective Date; such reports shall address, at a minimum, evaluation of Sub-projects during the six-month period in question, implementation and supervision of Project activities, procurement activities, rate of disbursement and any specific operational issues that have presented difficulties and for which guidance from MINARS has been sought; and

(f) prepare, under terms of reference satisfactory to the Association, and furnish to the Association through MINARS, not later than two months prior to the closing date of the Project, a comprehensive report containing an evaluation of the implementation of Municipio Recovery Plans, including lessons learned, conclusions and recommendations for future implementation of similar activities on a wider scale.

Part B: Municipio Recovery Plans under Part A of the Project

1. Eligibility Criteria for Beneficiaries

Except as the Association shall otherwise agree, eligible Beneficiaries shall be those communities in Municipios in the provinces of Bie, Kwanza Norte and Moxico of the territory of the Borrower which: (a) have received, or will receive, large numbers of demobilized soldiers, displaced people, returning refugees and their respective dependents; (b) have sustained significant damage to their social and economic infrastructure as a result of the conflict; and (c) meet additional criteria regarding, inter alia, physical accessibility and security as specified in the Implementation Manual.

2. Preparation, Review and Approval of Municipio Recovery Plans

(a) Prior to the preparation, review and approval of a Municipio Recovery Plan, the Borrower shall furnish to the Association, for its approval, the names of the eligible Beneficiaries which shall have been selected in accordance with the provisions of Part B.1 of this Schedule.

(b) The Project Unit shall advertise publicly and request expressions of interest from potential Implementing Organizations for the preparation of Municipio Recovery Plans and potential participation in their implementation.

(c) Potential Implementing Organizations shall be required to have: (i) been registered under the relevant Laws of the Borrower and to have full legal capacity to enter into contracts; (ii) experience in comparable community development activities, preferably in the territory of the Borrower; (iii) experience in participatory project design and implementation; and (iv) proven technical expertise as well as financial and administrative capacity.

(d) After selection of an Implementing Organization to prepare and present a Municipio Recovery Plan, the Project Unit shall enter into a contract with such Implementing Organization for such preparation and presentation of the Municipio Recovery Plan, the form and substance of such contract to be acceptable to the Association and included in the Implementation Manual.

(e) Municipio Recovery Plans shall contain: (i) a brief description of the prospective Beneficiary or Beneficiaries and the status of its economic and social infrastructure; (ii) a description of how the Beneficiaries participated in the formulation of the Municipio Recovery Plan and will participate in its implementation; (iii) a two-year program of rehabilitation and recovery activities, based on the needs expressed by the Beneficiaries concerned; and (iv) a detailed six-month program of specific Subprojects to be implemented.

(f) Municipio Recovery Plans shall be submitted through the Project Unit to the Association for prior evaluation and approval. In evaluating Municipio Recovery Plans, the Project Unit shall verify whether said Municipio Recovery Plans: (i) ensure that the activities reflect the Beneficiary's needs and preferences and can be implemented in accordance with the timetable or tables included in such Plan; and (ii) allow for periodic adjustment in content, funding requirements and implementation arrangements.

3. Approval and Implementation of Sub-Projects

(a) Implementation of a Sub-project, within a given Municipio Recovery Plan, shall require a specific written request from the concerned Beneficiary, which shall be submitted to the Project Unit for approval.

(b) Following approval of the Sub-project and the written request referred to in paragraph (a) above, a Beneficiary Grant Agreement shall be entered into between the Project Unit and the Beneficiary. Each Beneficiary Grant Agreement shall be in form and substance satisfactory to the Association and shall be included in the Implementation Manual. The principal terms of such Agreement shall include, inter alia: (i) that financing shall be on a grant basis; (ii) a specification of the name of the Implementing Organization which shall be contracted by the Project Unit to

participate in the implementation of the Sub-project, where appropriate; (iii) provisions relating to the specific participation of the Beneficiary in the implementation of the Sub-project; (iv) provisions relating to the commitment of the Beneficiary in ensuring sustainability of the Subproject and the maintenance of works and goods contracted or acquired under the Sub-project, where appropriate; (v) the right of the Project Unit to inspect, by itself or jointly with the Association, if the Association shall so request, the goods, work sites, plants and construction involved in the Sub-project, the operations thereof and any relevant records and documents; and (vi) for the right of the Beneficiary to suspend or terminate the Sub-project upon failure by the Implementing Organization to perform any of its obligations under the contract between the Implementing Organization and the Project Unit.

(c) The Project Unit shall enter into contracts with Implementing Organizations for the implementation of Sub-projects in a given Municipio. The form and substance of such contract shall be satisfactory to the Association, shall be included in the Implementation Manual, and shall provide, inter alia, for: (i) a rolling quarterly advance in an amount determined by the Project Unit having regard of the program of work included in the Municipio Recovery Plan and the level of approval of Sub-projects for which the services of the Implementing Organization shall be required; (ii) an obligation, on the part of the Implementing Organization, to submit to the Project Unit, every six months following the signing of the contract, detailed programs of work for the ensuing six-month period (iii) the rights of the Beneficiary with respect to the carrying out of the Sub-project in question, which MINARS, through the Project Unit, shall be entitled to exercise on behalf of the Beneficiary; (iv) the right of the Project Unit to visit and inspect the area of the Sub-project being implemented by the Implementing Organization; (v) an obligation, on the part of the Implementing Organization to carry out all procurement and contracting of consultants' services to be undertaken for specific Sub-projects in accordance with the provisions Schedule 3 to this Agreement; and (vi) the right of the Project Unit to obtain all information as the Project Unit or the Association shall reasonably request regarding the administration, operations and financial conditions of the Sub-project.

(d) The Project Unit shall ensure and shall monitor compliance of the obligations of the Beneficiary contained in each Beneficiary Grant Agreement and in the contracts with Implementing Organizations, and shall undertake periodic visits to the Beneficiaries and to the provincial offices of the Implementing Organizations, in order to assess the progress made in the implementation of Sub-projects.

Part C: Part B of the Project

The Project Unit shall formulate a plan for the implementation of Part B of the Project, which shall be submitted to the Association for its approval, not later than November 15, 1998.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of 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 \$500,000, 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 \$250,000, 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 1,500,000.

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 for the Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

