

CONFORMED COPY

CREDIT NUMBER 3460 BU

Development Credit Agreement

(Public Works and Employment Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 14, 2001

CREDIT NUMBER 3460 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 14, 2001, between REPUBLIC OF BURUNDI (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;

(B) Parts A.1, A.2 and A.4 of the Project will be carried out by AGETIP BURUNDI with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to AGETIP BURUNDI, as set forth in this Agreement; 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) "AGETIP BURUNDI" means "Agence d'Exécution de Travaux d'Intérêt Public", a non-profit entity created pursuant to its Articles of association adopted on November 4, 2000 and officially recognized as serving the public interest by "Ordonnance ministérielle" No. 530/907 dated November 16, 2000;

(b) "AGETIP BURUNDI Convention" means the delegated contract management agreement to be entered into between the Borrower and AGETIP and including provisions concerning the transfer of part of the proceeds of the Credit to AGETIP for the carrying out of Parts A.1, A.2 and A.4 of the Project, as the same may be amended from time to time with the Association's prior consent and to its satisfaction, such term to include any annexes and schedule thereto;

(c) "AGETIP BURUNDI Grant" means the grant made available to AGETIP BURUNDI under the AGETIP BURUNDI Convention;

(d) "AGETIP BURUNDI Manual of Procedures" means the manual related to the implementation of Subprojects, in form and substance satisfactory to the Association, referred to in Section 6.01 (b) of this Agreement containing, inter alia, the terms and conditions under which AGETIP BURUNDI will enter into agreements with a Beneficiary or a Contractor and describing the procurement as per Schedule 3 to this Agreement, disbursement, administrative, financial and other arrangements for the implementation of Part A.1 of the Project, as the same may be amended from time to time in consultation with and to the satisfaction of the Association, and such term includes any annexes, schedules and tables supplemental thereto;

(e) "AGETIP BURUNDI Work Program Agreement" means an agreement to be entered into between AGETIP BURUNDI and TS and describing the annual work programs for the

implementation of Part A.1 of the Project;

(f) "Beneficiary" or "Beneficiaries" means municipalities, local authorities, communities or other community-based organizations as well as central government bodies, which have met the eligibility criteria for Subprojects as set out in the Project Implementation Manual (as hereinafter defined) and the requirements of Schedule 4 to this Agreement and which, as a result, have benefited from the implementation of a Subproject (as hereinafter defined);

(g) "Beneficiary Agreement" means an agreement to be entered into between AGETIP BURUNDI and a Beneficiary for the implementation of a Subproject under Part A.1 of the Project;

(h) "Contractor" means a civil work contractor, a NGO, a consulting firm or an individual consultant who will carry out civil works or related services under a Subproject, or part of a Subproject, under Part A.1 of the Project;

(i) "Contractor Agreement" means an agreement to be entered into between AGETIP BURUNDI and a Contractor for the execution of a Subproject, or part of a Subproject, under Part A.1 of the Project;

(j) "Franc Burundais" or "FBU" means the currency of the Borrower;

(k) "grant" means the grant made available to a Beneficiary under a Beneficiary Agreement for a Subproject;

(l) "HIV/AIDS" means Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome;

(m) "MPWE" means the Borrower's Ministry in charge of public works and equipment;

(n) "NGO" means a non governmental organization operating under the laws of the Borrower;

(o) "Project Agreement" means the agreement between the Association and AGETIP BURUNDI of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(p) "Project Implementation Manual" or "PIM" means the manual referred to in Section 6.01 (b) and paragraph 2 of Schedule 4 to this Agreement containing, inter alia, disbursement and procurement arrangements, work plans, training plans, monitoring and performance indicators referred to in paragraph 3 of Schedule 4 to this Agreement and procedures to be used for the purposes of implementation of the Project, as they may be amended from time to time, in consultation with and to the satisfaction of the Association, and such term includes any schedules to the Project Implementation Manual. For the purpose of this Agreement, it is understood that the AGETIP BURUNDI Manual of Procedures shall be deemed to be a schedule to the Project Implementation Manual and an integral part thereof;

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

(r) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on June 8, 1999 and on behalf of the Borrower on June 24, 1999;

(s) "Project Year" means the twelve month period starting after the Effective Date, and each subsequent twelve month period during Project implementation;

(t) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(u) "Subproject" means a specific project to be carried out by AGETIP BURUNDI and referred to in Part A.1 of the Project;

(v) "TS" means a technical secretariat to be created within MPWE responsible for providing technical assistance, training and advisory services to municipalities in Subproject identification, programming, operation and maintenance; and

(w) "UNAIDS" means the Joint United Nations Programme on HIV/AIDS.

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 thirty-one million three hundred thousand Special Drawing Rights (SDR 31,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree to be paid) on account of withdrawals made to meet the reasonable costs of eligible expenditures relating to a Subproject, and in respect of which a withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and cause to be opened, and thereafter maintain and cause to be maintained in Dollars two special deposit accounts (the "TS Special Account" in respect to Parts A.3, B, C and D of the Project and the "AGETIP BURUNDI Special Account" in respect of Parts A.1, A.2 and A.4 of the Project in (a) commercial bank(s) on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective 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 December 31, 2006 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 March 15 and September 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 March 15 and September 15 commencing March 15, 2011 and ending September 15, 2040. Each installment to and including the installment payable on September 15, 2020 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:

(i) shall carry out Parts A.3, B, C and D of the Project through TS with due diligence and efficiency and in conformity with appropriate financial, administrative, engineering, environmental and health practices, and shall provide, promptly as needed, the funds,

facilities, services and other resources required for the Project; and

(ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause AGETIP BURUNDI to perform in accordance with the provisions of the Project Agreement all the obligations of AGETIP BURUNDI therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGETIP BURUNDI to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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;

(c) the Borrower shall make the proceeds of the Credit allocated to Parts A.1, A.2 and A.4 of the Project available to AGETIP BURUNDI as a grant under the AGETIP BURUNDI Convention to be entered into between the Borrower and AGETIP BURUNDI; and

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B, C and D of 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 future operation and sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until the completion of the Project, an account (the Project Account) in Francs Burundais, in a commercial bank, on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure and attachment;

(b) promptly thereafter make an initial deposit in Francs Burundais of an amount equivalent to US\$25,000 (Initial Deposit) into such account to finance the Borrower's contribution to the Project for the first Project Year;

(c) thereafter deposit into the Project Account on a semiannual basis during Project implementation such amounts as shall be required and agreed upon with the Association to timely replenish the Project Account back to the amount specified in the annual work program for the following Project Year agreed between TS and AGETIP

BURUNDI; and

(d) use the funds in the Project Account exclusively to finance expenditures under the Project.

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A.1, A.2 and A.4 of the Project shall be carried out by AGETIP BURUNDI pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 Accounts 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 the financial management system referred to in paragraph (a) of said Section 4.01 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) AGETIP BURUNDI shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that AGETIP BURUNDI will be able to perform its obligations under the Project Agreement.

(c) Ordonnance ministérielle No. 530/907, giving official recognition to AGETIP BURUNDI as serving the public interest, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AGETIP BURUNDI to perform any of its obligations under the Project Agreement.

(d) AGETIP BURUNDI Convention shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AGETIP BURUNDI to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the

following additional event is specified, namely that any event specified in paragraph (b) of Section 5.01 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 VI

Effective Date; Termination

Section 6.01. 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 AGETIP BURUNDI Convention has been executed on behalf of the Borrower and AGETIP BURUNDI, in form and substance satisfactory to the Association;

(b) the Borrower has adopted the PIM, including the AGETIP BURUNDI Manual of Procedures, in form and substance satisfactory to the Association;

(c) the Borrower has established: (i) a financial management system for the Project in form and substance satisfactory to the Association; and (ii) caused AGETIP to establish a financial management system for implementation of Parts A.1, A.2 and A.4 of the Project;

(d) the Borrower has appointed the auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) the Project Account has been opened and the initial amount of US\$25,000 equivalent as requested in Section 3.04 of this Agreement has been deposited;

(f) the Borrower has created TS and has appointed four TS key staff, namely a director, an engineer, an accountant or financial specialist and an environmentalist, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(g) the AGETIP BURUNDI Work Program Agreement for the first Project Year agreed between AGETIP BURUNDI and TS has been executed on behalf of AGETIP BURUNDI and TS, in form and substance satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) the Project Agreement has been duly authorized or ratified by AGETIP BURUNDI and is legally binding upon AGETIP BURUNDI in accordance with its terms; and

(b) the AGETIP BURUNDI Convention has been duly authorized or ratified by the Borrower and AGETIP BURUNDI and are legally binding upon the Borrower and AGETIP BURUNDI in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances
B.P. 1830
Bujumbura
Burundi

Telex:	Facsimile:
5135	(257) 223827
MINIFINBDI	

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 BURUNDI

By /s/ Thomas Ndikumana

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

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) Goods		100% of foreign expenditures and 90% of local expenditures
(a) under Parts A.3, B, C and D of the Project	103,000	
(b) under Parts A.2 and A.4 of the Project	163,000	
(2) Consultants' services, training and audits		100%
(a) under Parts A.3, B, C and D of the Project	3,000,000	
(b) under Parts A.2 and A.4 of the Project	2,000,000	
(3) Subprojects under Part A.1	20,000,000	100% of amounts disbursed
(4) Operating Costs		90%
(a) under Parts A.3, B, C and D of the Project	800,000	
(b) under Part A.2 and A.4 of the Project	1,500,000	
(5) Refunding of Project Preparation of Advance	800,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	2,934,000	
TOTAL	31,300,000	

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; and

(c) the term "operating costs" means the incremental operating costs arising under the Project on account of local contractual staff salaries, travel and other allowances, maintenance of buildings, office equipment and vehicles, office rental, materials and supplies, utilities, communications' expenses and vehicle insurance, but excluding salaries of members of the Borrower's civil service;

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods, under contracts costing less than \$50,000 equivalent each; (ii) works, under contracts costing less than \$100,000 equivalent each; (iii) services under contracts costing less than \$50,000 equivalent each for consulting firms and less than \$30,000

equivalent each for individual consultants; (iv) training; and (v) operating costs, all 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: (i) generate productive employment to help reconstruction in the Borrower's territory through labor-intensive public works; (ii) promote the execution of cost-effective and economically and socially useful public works projects, including through small and medium enterprises; and (iii) building institutional capacity at the municipal level to identify, prioritize, operate and maintain Subprojects.

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: Subprojects implementation and Capacity Building for Employment Creation

1. Carrying out a five-year program of rehabilitation and construction of basic infrastructure and other municipal assets, especially in the areas of basic infrastructure and natural resource management, through the execution of Subprojects, including inter alia, roads, markets, drainage, health centers, anti-erosion structures, schools and water supply facilities).
2. Strengthening the financial and operational capabilities of AGETIP BURUNDI through the execution of Subprojects, the acquisition of equipment and the provision of technical advisory services.
3. Enabling TS to appraise and select Subprojects from Subproject applications submitted by the Beneficiaries and present the portfolio of selected Subprojects to AGETIP BURUNDI for implementation through the acquisition of equipment and the provision of technical advisory services and training.
4. Strengthening the capacity of small and medium enterprises of contractors and entrepreneurs, consultants and consulting firms, in order to enable them to improve the quality of their performance as their financial management and business development skills through the provision of technical advisory services and training to be carried out by AGETIP BURUNDI.

Part B: Institutional Building

1. Strengthening the institutional capacity of MPWE and TS to enable them to carry out project planning/programming, monitoring and evaluation as well as human resource development through the acquisition of equipment and the provision of technical advisory services and training.
2. Strengthening the institutional capacity of Beneficiaries to identify and prepare Subproject proposals, increase community ownership and participation in Subproject maintenance and disseminate information by launching an information education and communication campaign through the acquisition of equipment and the provision of technical advisory services and training.

Part C: Support for the Prevention of HIV/AIDS

1. Carrying out an information, education and communication campaign targeted towards construction and seasonal workers, drivers, women organizations, refugees and prostitutes and other vulnerable groups through the provision of technical advisory

services, training and the acquisition of goods.

2. Supporting programs already developed by NGOs as well as UNAIDS through the provision of technical advisory services, training and the acquisition of goods.

3. Carrying out a study for the identification of a multisectoral program for HIV/AIDS in the territory of the Borrower.

Part D: Project Monitoring

Carrying out studies and surveys on Project monitoring through the provision of technical advisory services

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good 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, contracts for: (i) goods estimated to cost \$100,000 equivalent or more each; and (ii) works estimated to cost \$200,000 equivalent or more each, 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost more than \$25,000 equivalent each per contract and goods estimated to cost less than \$100,000 equivalent each per contract, up to an aggregate amount not to exceed \$12,480,000 equivalent and \$220,000 equivalent respectively, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost \$10,000 equivalent per contract or less, up to an aggregate amount not to exceed \$140,000 equivalent, may be procured under contracts awarded on the basis of national shopping in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$2,630,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (i) each contract for civil works estimated to cost the equivalent of \$100,000 or more; (ii) the first 3 contracts for works estimated to cost the equivalent of \$100,000 or less; (iii) the first 3 contracts for small works estimated to cost \$25,000 equivalent or less; (iv) each contract for goods estimated to cost the equivalent of \$50,000 or more; and (v) the first 3 contracts for goods estimated to cost \$50,000 equivalent or less, 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

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 for architectural and engineering, estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits and other services, estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$150,000, 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 technical design estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount of \$ 4.3 million may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for training, technical audits and small studies 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: (i) the first 3 contracts estimated to cost \$30,000 equivalent each or less; (ii) each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more; and (iii) the first 3 contracts for audits costing less than the equivalent of \$50,000, 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: (i) each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more; and (ii) the first 3 contracts for the employment of individual consultants estimated to cost less than \$30,000 equivalent, 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.

(c) All terms of reference for contracts regardless of cost will be subject to prior review.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. Technical Secretariat

The Borrower shall establish and maintain, until the completion of the Project, the Technical Secretariat, with four key staff, namely a director, an engineer, an accountant or financial specialist and an environmentalist, all with terms of reference, qualifications and experience acceptable to the Association. The Technical Secretariat shall be responsible for: (i) the general oversight and coordination of Project implementation; (ii) appraising and approving Subprojects submitted by the Beneficiaries and presenting the portfolio of eligible Subprojects to AGETIP BURUNDI for implementation; and (iii) monitoring the Project.

2. Project Implementation Manual

The Borrower shall carry out the Project in accordance with procedures set out in the Project Implementation Manual, including the AGETIP BURUNDI Manual of Procedures, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. Performance Indicators and Program Reports

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 set forth in Schedule 6 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, no later than January 31 and July 31 of each year, 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; and

(c) review with the Association, not later than 4 weeks after the submission of the report referred to in paragraph (b) of this Section, or such later date as the Association shall request, the said report, 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.

4. Eligibility Criteria for Subprojects

Without limitation on the provisions of paragraph 1 of Schedule 1 to the Project Agreement, no Subproject shall be eligible for financing out of the proceeds of the Credit unless TS 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 more detail in the PIM, which shall include the following:

(a) the Subproject shall be for basic social and economic infrastructure and services, inter alia, including roads, markets, drainage, health centers, anti-erosion structures, schools and water supply facilities;

(b) the Subproject shall be initiated by a Beneficiary;

(c) the Subproject shall be economically, financially and technically viable in accordance with the standards specified in the PIM;

(d) except as the Association shall otherwise agree, the Beneficiary shall provide not less than 5% of the estimated costs of the Subproject in the form of cash, materials, labor or other services; and

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

5. Terms and Conditions of Subproject Agreements

In financing Subprojects, AGETIP BURUNDI shall enter into a Beneficiary Agreement with a Beneficiary, and a Contract Agreement with a Contractor under terms and conditions which shall include the following:

(a) financing to be on a grant basis and, unless otherwise agreed with the Association, not to exceed the equivalent of \$500,000 per Subproject;

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

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in the AGETIP BURUNDI Manual of Procedures; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of AGETIP BURUNDI and TS to inspect by themselves, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and constructions included in a Subproject and any relevant records and documents;

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

(f) the right of AGETIP BURUNDI to suspend or terminate the right of the Beneficiary to benefit from the Subproject upon the failure by the Beneficiary to perform any of its obligations under the Beneficiary Agreement; and

(g) the right of AGETIP BURUNDI to suspend or terminate the right of a Contractor to receive payments for a Subproject upon the failure by such Contractor to perform any of its obligations under the concerned Contractor Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in respect of Parts A.1 A.2 and A.4 of the Project, Categories (1) (b); (2) (b); (3); and (4) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) in respect of Parts A.3, B, C and D of the Project, Categories (1) (a); (2) (a) and (4) (a) set forth in said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A, B, C and D of 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 \$250,000 in respect of the TS Special Account for Parts A.3, B, C and D of the Project and an amount equivalent to \$750,000 in respect of the AGETIP BURUNDI Special Account for Parts A.1, A.2 and A.4 thereof, to be withdrawn from the Credit Account and deposited into the Special Accounts 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 \$ 125,000 in respect of the TS Special Account for Parts A.3, B, C and D of the Project and an amount equivalent to \$375,000 in respect of the AGETIP BURUNDI Special Account for Part A.1, A.2 and A.4 thereof, until: (i) in respect of the TS Special Account for Parts A.3, B, C and D of the Project, 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 for Parts A.3, B, C and D of the Project shall be equal to or exceed the equivalent of SDR 1,000,000; and (ii) in respect of the AGETIP BURUNDI Special Account for Parts A.1, A.2 and A.4 of the Project, 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 for Parts A.1, A.2 and A.4 of the Project shall be equal to or exceed the equivalent of SDR 3,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 respective 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 Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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

For the purpose of this Agreement, the Borrower agrees that Project performance will be measured by the Indicators below, unless otherwise agreed by the Association:

PLEASE SEE ORIGINAL FOR PERFORMANCE INDICATORS, FORMAT WILL NOT FIT INTO DOCUMENT

