

CONFORMED COPY

CREDIT NUMBER 2965-MAU

Development Credit Agreement

(Rainfed Natural Resource Management Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 24, 1997

CREDIT NUMBER 2965-MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 24, 1997, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association):

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

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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank 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."

(c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Advance Account" means either one or any of the accounts referred to in Section 2.02 (c) of this Agreement; "

(b) "Association de Développement Communautaire" or "ADC" means an association responsible for the implementation of a Sub-project for, or on behalf of, a rural community in the territory of the Borrower;

(c) "Comité de pilotage" means the committee to be established pursuant to paragraph 5 of Schedule 4 to this Agreement for the purpose of technical coordination of Project activities;

(d) "Conseil de Surveillance" means the committee established according to Decree No 96-026/PM of the Borrower, dated April 1, 1996, for the purpose of financial control and management oversight of the Project;

(e) "ECPG" means Equipe centrale de programmation et de gestion, the central planning and implementation team for the Project at MDRE (as hereinafter defined), established according to Arrêté No 0037/MDRE, dated February 11, 1996;

(f) "Implementing Agency" means an association, an NGO, or other entity or person, as the case may be, responsible for carrying out and administering any one Sub-project referred to in Part A.3 of the Project on behalf of an ADC;

(g) "Manual of Procedures" and "MP" means the Project implementation manual referred to in Paragraph 1 of Schedule 4 of this Agreement and adopted pursuant to Section 5.01 (a), setting forth, inter alia, Project monitoring and evaluation indicators; procedures providing for the methodology to establish an ADC; a Project financial management manual and other criteria, procedures and guidelines for the promotion, administration, appraisal and supervision of the Project; and such term includes any schedules and attachments to the Manual of Procedures;

(h) "MDRE" means Ministère de Développement Rural et de l'Environnement", the Borrower's Ministry of Rural and Environmental Development;

(i) "NGO" means a non-profit, non-governmental organization operating within

the Borrower's territory;

(j) "ONS" means Office National de Statistique the office of national statistics data in the Borrower's Ministry of Planning;

(k) "Ouguiya" and "UM" mean the currency of the Borrower;

(l) "Project Preparation Advance" means the cumulative project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated October 19, 1995, countersigned on December 4, 1995, and October 27, 1996, countersigned on November 6, 1996, respectively, between the Association and the Borrower;

(m) "Regional Center" means each of the communes of Atar, Aioun al Atrouss, Kiffa and Néma in the Borrower's territory;

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

(o) "Sub-project" means a specific development activity under Part A of the Project, to be financed out of the proceeds of the Credit; and

(p) "Sub-project Agreement" means an agreement to be entered into between the Borrower and an ADC for the purposes of carrying out a Sub-project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirteen million two hundred thousand Special Drawing Rights (SDR 13,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project 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) The Borrower shall:

(i) open and maintain for each Regional Center a sub-account (Advance Account) of the Special Account, in one or more commercial banks acceptable to the Association, on terms and conditions satisfactory to the Association (including appropriate protection against set-off, seizure or attachment), to be used by such Regional Center exclusively for the purposes of financing works, goods and services under the Project to be carried out in such Regional Center; and

(ii) withdraw from the Special Account and deposit into each Advance Account an amount not exceeding the equivalent of \$50,000, and thereafter replenish said Advance Accounts in accordance with paragraph 7 of Schedule 5 to this Agreement.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to the Association 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 March 31, 2003 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 August 1 and February 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each August 1 and February 1, commencing August 1, 2007 and ending February 1, 2037. Each installment to, and including the installment payable on, February 1, 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 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 goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 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 continued achievement of the objective 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 and each Advance 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:

- (a) of this
- (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;
 - (ii) retain or cause to be retained, 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 or payment out of the Special Account or Advance Accounts 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;
 - (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; and
 - (v) 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.

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:

the Borrower has:

- (a) adopted the Manual of Procedures and has furnished evidence acceptable to the Association that said Manual is available in Arabic and French;
- (b) appointed a Project accountant, in accordance with the provisions of Section II of Schedule 3 to this Agreement, and established a computerized accounting system for the Project, acceptable to the Association; and
- (c) appointed the auditors referred to in Section 4.01 (b) of this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 5.02. The date one hundred twenty (120) 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 the Borrower at the time responsible for planning 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:

Ministre du Plan
Ministère du Plan
BP 238
NOUAKCHOTT
Islamic Republic of Mauritania

Cable address: Telex:
540 MTN

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address: Telex:
INDEVAS 197688 (TRT)
Washington, DC 248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdellahi Ould Kebd

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hasan Tuluy

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) Works, goods and services for Sub-projects under Part A of the Project	5,900,000	100%
(2) Works under Part B of the Project	700,000	100%
(3) Goods and vehicles	700,000	100%
(4) Consultants' services and training:		100%

	(a) for Part B.3 of the Project	700,000	
	(b) other	400,000	
(5)	Satellite imagery	100,000	100%
(6)	Incremental operating costs	1,800,000	100%
(7)	Refunding of Project Preparation Advance	700,000	Amount due pursuant to Section 2.02 (d) of this Agreement
(8)	Unallocated	2,200,000	
	TOTAL	13,200,000	

2. For the purposes of this Schedule, the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, Project-related travel and supervision, and salaries for local contractual staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions in Ordonnance No 80-323 of December 10, 1980, of the laws of the Borrower, which exempt the goods and works to be financed out of the proceeds of the Credit from taxes and customs duties levied by the Borrower. If any change is made to said Ordonnance which has the effect of levying taxes or customs duties on such goods or works, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for works under contracts not exceeding \$150,000 equivalent, goods and vehicles under contracts not exceeding \$100,000 equivalent, and services of: (a) consulting firms for contracts not exceeding \$100,000 equivalent, and (b) individual consultants not exceeding \$50,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the capacity of rural communities in the territory of the Borrower to manage their natural resources in accordance with sound and sustainable practices.

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 objective:

Part A: Sub-projects

Promotion, identification, appraisal, designing, supervision and evaluation of community initiated activities for the construction, rehabilitation and establishment of essential local economic and social infrastructure through the implementation of activities in selected rural communities in the territory of the Borrower, including activities relating to:

1. (a) land and water conservation and anti-desertification measures through, inter alia: (i) water harvesting structures; (ii) soil fertility preservation; (iii) fire breakers and (iv) improved agricultural production techniques;

(b) improvement of drinking water supply through, inter alia: drilling of wells and construction of cisterns and water wheels; and

(c) rehabilitation and construction of rural roads.

2. (a) Agro-industry; (b) forest management; (c) regenerative energy harnessing; and (d) market facilities and community shops;

3. improvement of farming products through, inter alia, livestock fattening, grain storage, and medicine supply; and

4. carrying out of pilot rangeland management practices aiming at the rehabilitation of natural pastures and the development of sustainable livestock production.

Part B: Institutional Support

1. Provision of technical advisory services to facilitate the organization of ADCs.

2. Provision of technical advisory services, satellite imagery, and acquisition of equipment and vehicles to facilitate the carrying out, administration and sustainability of Sub-projects through strengthening or establishment, as the case may be, of:

(a) rural extension services on land use and agricultural techniques at the community level;

(b) financial support teams to provide services and training to ADCs in the areas of, inter alia: (i) financial project management; (ii) common-property-resource preservation; and (iii) group relations and consensus building methods, at the regional level; and

(c) a working group in charge of planning, coordinating and supervision of Sub-projects, and the integration of said Sub-projects into regional national development plans, at the central level.

3. Provision of technical advisory services for the carrying out of a study on statistical data in the rural sector through ONS.

4. Rehabilitation of offices for ECPG.

Part C: Skill Development

1. Provision of technical advisory services, and acquisition of equipment for, inter alia: (a) carrying out of studies of cost effective methods to establish Sub-projects; and (b) testing of pilot activities on behalf of ADCs.

2. Provision of training to selected members of ADCs and administrative staff in: (a) communication and information skills; (b) organization techniques; (c) environmental awareness; and (d) technical expertise required to carry out and administer Sub-projects.

* * *

The Project is expected to be completed by September 30, 2003.

SCHEDULE 3

Procurement

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 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

To the extent practicable, contracts for goods, shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

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

Part C: Other Procurement Procedures

1. Limited International Competitive Bidding

Contracts for satellite imagery may be procured in accordance with paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent; and works estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,100,000 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.

4. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$8,400,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded to the lowest bidder on the basis of quotations obtained from three (3) qualified domestic contractors. The invitation shall include reference unit prices established by ECPG, 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.

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 each contract for goods estimated to cost the equivalent of \$100,000 or more; and each contract for works estimated to cost the equivalent of \$150,000 or more; 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 under contracts awarded 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 (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. 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 under Part B.1 of the Project, 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

Services under Part A of the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for assignments 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 request 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.

2. Prior Review

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more and each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the

procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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. However, the exception to prior review by the Association will not apply to the terms of reference of such contracts, regardless of value, to single-source hiring, to assignments of a critical nature as determined by the Association or to amendments of contracts raising the contract value above the prior review threshold.

SCHEDULE 4

Implementation Program

A. Implementation of the Project

1. Except as the Association shall otherwise agree, the Borrower shall carry out the Project, in accordance with the Manual of Procedures and shall not amend or waive any provision thereof without the prior approval of the Association.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the supplemental letter of even date herewith 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, semiannually, 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, one month after having furnished to the Association the report referred to under subparagraph (b) of this paragraph (1), or such later date as the Association shall request, 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 views on the matter.

3. (a) The Borrower and the Association shall undertake a joint review of the Project during the first calendar quarter of every year in which representatives of ADCs may be invited to participate. This review shall cover, inter alia: (i) the progress made in the execution of the Project, summary review of the reports referred to under paragraph (2) of this Schedule; (ii) the ADC's adherence to the provisions of the MP, and proposed changes to said MP; (iii) the implementation of Sub-project Agreements, (iv) an evaluation of: (A) the adequacy of the ADC's contribution to Sub-projects; and (B) the performance of the pilot activities referred to under Part A.4 of the Project in accordance with the indicators set forth in the supplemental letter of even date herewith; (v) a review of the recommendations of the Conseil de Surveillance and the Comité de Pilotage; and (vi) the approval of the implementation program for the Project, including technical, financial and procurement aspects, for the current year.

(b) Not later than one month prior to each such review, the Borrower shall furnish to the Association, for its review and comments, a report on the progress and status of the Project.

(c) Following each such review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objective of the Project.

4. (a) The Borrower and the Association shall, not later than 30 months after the Effective Date, or such other date as the Borrower and the Association shall agree upon, carry out a mid-term review (hereinafter referred to as the Mid-Term Review) to which representatives of ADCs may be invited. Such Mid-Term Review shall cover: (i) progress made in the execution of the Project; (ii) assessment of the external evaluation of the training program to be carried out pursuant to paragraph 7 of this Schedule; (iii) land tenure arrangements for the carrying out of Sub-projects; (iv) effectiveness of public procurement procedures for achieving the objective of the Project; and (v) the impact of the Project on: (A) the environment; (B) alleviation of poverty; and (C) organizational capacity in the rural communities concerned.

(b) Not later than one month prior to the Mid-Term Review, the Borrower shall furnish to the Association, for its review and comments, a report on the items to be covered by said Review, including a draft action program to be carried out until the completion of the Project.

(c) Following such Mid-Term Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objective of the Project.

5. Within three months after the Effective Date, the Borrower shall establish a Comité de pilotage for the technical coordination of the Project, according to terms of reference acceptable to the Association and, thereafter maintain said Comité de pilotage until the completion of the Project.

6. The Borrower shall maintain until the completion of the Project:

(a) staff with adequate qualifications and experience to ensure the accomplishment of the objective of the Project; the contractual staff shall be recruited in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(b) the Conseil de Surveillance as provided for in its Décret No 96-026/PM, dated April 1, 1996.

7. Not later than one month prior to the Mid-Term Review, the Borrower shall have carried out: (a) an independent evaluation of the training program of the Project referred to under Part C.2 of the Project; and (b) the study referred to in Part B.4 of the Project; according to terms of reference acceptable to the Association; and submitted the final report of said evaluation and said study to the Association for comment.

B. Implementation of Sub-projects

8. Eligibility Criteria

Without limitation upon the provisions of paragraph 1 above, no Sub-project shall be eligible for financing out of the proceeds of the Credit unless MDRE has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the MP, that the Sub-project satisfies the eligibility criteria specified in the MP, which shall include the following:

(a) an ADC has been established in accordance with the procedures set forth in the MP in the rural community for which a Sub-project is to be implemented;

(b) the Sub-project conforms to the regional and central development plans;

(c) the ADC has paid, or has entered into a commitment, satisfactory to the Association, to make the contribution, in kind or in labor, towards implementation and maintenance of the Sub-project, which shall be as follows:

(i) in the case of Sub-projects referred to under Part A.1 (a) and (c) of the Project, 70% of total Sub-project costs;

(ii) in the case of Sub-projects under Part A.1 (b) and A .2 of the Project, 20% of total Sub-project costs; and

(iii) in the case of Sub-projects under Part A.3 of the Project, 40% of total Sub-project costs.

9. Terms and Conditions for Sub-project Agreements

A Sub-project shall be carried out pursuant to a Sub-project Agreement, to be concluded between MDRE and the ADC, under terms and conditions satisfactory to the Association, providing for, inter alia, the following:

(a) the financing of a Sub-project provided for out of the proceeds of the Credit shall be on a grant basis;

(b) the obligation to carry out and maintain a Sub-project in accordance with the MP, with due diligence and efficiency and in accordance with appropriate technical, environmental, financial and commercial practices and to maintain adequate records in such form and detail as the Association may reasonably request;

(c) the obligation that: (i) works to be financed out of the proceeds of the Credit for a Sub-project shall be procured according to the provisions of Part C paragraph (2) or (4) of Section I of Schedule 3 to this Agreement, as the case may be; (ii) goods to be financed out of the proceeds of the Credit for a Sub-project shall be procured according to the provisions of Part C paragraph (2) or (3) of Section I of Schedule 3 to this Agreement, as the case may be; and (iii) contracts for consultants' services to be financed out of the proceeds of the Credit for a Sub-project shall be procured according to the provisions of Section II of Schedule 3 to this Agreement; and that such goods, works and consultants' services shall be used exclusively for the carrying out of the Sub-project;

(d) the right to inspect, by the Borrower or the Association, or jointly with qualified representatives of the Association, or the Borrower, if the Association, or the Borrower, shall so request, the works, plans and construction sites relevant to the Sub-project, and any relevant documents;

(e) the right to appropriate remedies, acceptable to the Association, should the carrying out or the maintenance of the Sub-project, as the case may be, not conform to the regulations set forth in the MP and the Sub-project Agreement;

(f) the right to obtain all such information as the Association, or the Borrower shall reasonably request, relating to the administration and financial condition of the Sub-project; and

(g) in the case of Sub-projects under Part A .3 of the Project, that the ADC has entered into a contract with the Implementing Agency, stipulating, mutatis mutandis, the same rights and obligations of the ADC, the Borrower and the Association as outlined under paragraph B.9 (a) through (f) of this Schedule.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (6) 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 of \$800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that the Authorized Allocation shall be limited to an amount of \$400,000 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 1,000,000.

2. Payments out of the Special Account shall be made exclusively: (a) for Eligible Expenditures in accordance with the provisions of this Schedule; and (b) in accordance with paragraph 7 of this Schedule.

3. After the Association has received evidence acceptable 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 a deposit or deposits 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 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, or by the Regional Centers out of any of the advance Accounts, 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 or the Advance 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, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account or the Advance Accounts: (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.

7. (a) The Borrower shall withdraw from the Special Account and deposit into each Advance Account funds to assist ECPG to pay for works, goods and services under the Project. The Borrower shall ensure that the amount held in any Advance Account does not exceed the equivalent of \$50,000.

(b) Payments out of Advance Accounts shall only be made for Eligible Expenditures in respect of Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) Any withdrawal from any Advance Account must be justified by the same documentation and other evidence regarding eligible expenditures as provided for under paragraph 3 of this Schedule.

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

