

CONFORMED COPY

CREDIT NUMBER 1832 ZR

(Economic and Financial Management Institutions
Development Project)

between

REPUBLIC OF ZAIRE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 29, 1987

CREDIT NUMBER 1832 ZR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 29, 1987, between the REPUBLIC OF ZAIRE (the Borrower) and the 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) the Borrower is carrying out a program of structural adjustment in support of which it is to receive a credit from the Association;

(C) the Project is a necessary measure to achieve the objectives of the program of structural adjustment; 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, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

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

(b) "Project Preparation Advance" means the two project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters, dated November 1, 1985 and January 9, 1986, and April 9, 1987, and June 16, 1987 between the Borrower and the Association.

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 this Agreement, an amount in various currencies equivalent to nine million two hundred thousand Special Drawing Rights (SDR 9,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and of Schedule 1 to this Agreement for expenditures made (or, if the Association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 shall, for the purposes of the Project, open a special account in dollars in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 1995, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 1997, and ending February 15, 2037, each installment to and including the installment payable on February 15, 2007, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

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, economic and financial 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.

(c) In order to ensure the availability of funds pursuant to paragraph (a) of this Section, the Borrower shall establish and maintain a Counterpart Funds Account in the Bank of Zaire with an initial deposit of the equivalent of at least \$10,000 and shall replenish such account quarterly with additional funds sufficient to finance the Project for the following quarter.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 5 to this Agreement.

Section 3.03 (a) The Borrower shall establish and maintain, for the purposes of carrying out the Project, a Project Coordinating Committee under the chairmanship of the Commissioner of State responsible for planning, and including representatives of each of the other Departments responsible for carrying out any part of the Project; such Committee shall meet once each year to approve the work programs of such Departments, and shall meet at least once every three months to monitor the implementation of such programs, coordinate Project activities and initiate corrective actions, all under Operating Procedures acceptable to the Association. The Department of Planning shall provide, through the technical secretariat for the Structural Adjustment Program, technical support to the Committee and shall ensure cooperation between such secretariat and the Committee.

(b) For the purposes of general administration of the

Project, the Borrower shall establish and maintain a Project Unit headed by a Project Administrator who will also serve as the Administrative Secretary to the Project Coordinating Committee. The Project Unit shall include an administrative assistant, an accountant, a secretary, a driver and a messenger, and shall be charged with handling the administrative aspects of the recruitment of resident experts and short-term consultants of the procurement of goods and services of a value over \$30,000 equivalent and of the withdrawal and payments out of the Special Account of the proceeds of the Credit on behalf of the Borrower.

Section 3.04. Each Department charged with carrying out a part of the Project shall follow their respective annual work programs, as approved by the Association, shall exchange views with the Association at least once every twelve months on the progress under such programs, on their content, scope and implementation and on the proposed program for the following period, and shall carry out such programs in close consultation with all parties financing such programs.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause the Project Unit to maintain 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 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, audited for each fiscal year 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, a certified copy of 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, 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, or payments out of the Special Account, were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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 be included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contain a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

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

(a) the Borrower has established, in its Department responsible for Planning, a Directorate of Programming and Budgeting with powers and duties, organizational structure and staffing satisfactory to the Association;

(b) the Project Coordinating Committee referred to in Section 3.03 of this Agreement has adopted Operating Procedures satisfactory to the Association; and

(c) the Counterpart Funds Account has been opened and the initial deposit referred to in Section 3.01 (c) of this Agreement has been made.

Section 5.02. The date sixty (60) 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 Commissioner of State of the Borrower responsible for finance 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:

Departement des Finances
Boite Postale No. 12997
Kinshasa 1
Republic of Zaire

Cable address:

Telex:

DEFIN

21161 KIN/GOMBE

K

inshasa

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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 ZAIRE

By /s/ NGUZ a KARL-i-BOND
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward U. K. Jaycox
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) Consultants' services	1,960,000	100%
(2) Training	1,280,000	100% of foreign expenditures and 60% of local expenditures
(3) Studies	2,850,000	100% of foreign expenditures and 60% of local expenditures
(4) Vehicles, equipment, furniture, data processing equipment and software for individual consultants or experts, for staff training and for OGEDEP and the Bank of Zaire	630,000	100% of foreign expenditures and 60% of local expenditures

(5) Data processing equipment and software other than that listed in Category (4)	310,000	100% of foreign expenditures and 60% of local expenditures
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Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Operating costs	730,000	60%
(7) Refunding of Project Preparation Advance	1,080,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	360,000	
TOTAL	9,200,000	

2. If the amount allocated to Category (7) above is in excess of the amount due, the balance will be reallocated to Category (8).

3. 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; and

(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.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; or (b) payments under Category (5) above until the Association has received a master plan for the computerization of the operations of the Departments responsible for Finance and for the Budget and their respective agencies.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the carrying out of the Borrower's Program of Structural Adjustment which includes measures to improve: (i) the economic framework for direct and indirect taxation and the efficiency of its administration through a reduction in distortions and an improvement in the scope of applicability of fiscal and parafiscal charges; (ii) the planning and financial management of, and the preparation of budgets for, public investments; (iii) the management of public enterprises; and (iv) the conditions of civil service employment and the structure of its payroll. In addition, the Project contains measures designed to initiate a longer-term program of strengthening the Departments of the Borrower most concerned with economic management and development.

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: Department responsible for Planning

1. The establishment of a Directorate of Programming and Budgeting;

2. the development of methodologies, the training of regional, central and sectoral staff and the establishment of a three-year rolling plan for public investment to be carried out by the Department with the Departments responsible for agriculture, education and health;

3. the improvement of the Department's capacities in macro-economic projections, the monitoring of economic indicators and of the carrying out of measures of structural adjustment;

4. the improvement of its internal procedures, management systems and staffing patterns and the coordination of its operations with those of other departments and agencies; and

5. the development of a program of training and other incentives for staff according to the actions defined by the Borrower relative to the restructuring of the civil service in its Program of Structural Adjustment.

Part B: Department responsible for the Budget

1. The development of an improved budget classification framework for capital and current expenditures and its installation in key sectoral departments;

2. the improvement of methods of estimating revenue and expenditures;

3. the rationalization of procedures relating to expenditures;

4. the improvement of the organization of the Department, defining administrative procedures, including the Department's capacity to coordinate in budget matters with the Department responsible for finance; the development of staff capabilities and the refining of the staffing pattern;

5. the development of a program of training and other incentives for staff according to the actions defined by the Borrower relative to the restructuring of the civil service in its Program of Structural Adjustment; and

6. the adoption of efficient procedure for spending and of sound procurement and monitoring practices.

Part C: Department responsible for Finance

1. The establishment of a special central accounting section;

2. the establishment of a system for monitoring public accounts;

3. the reorganization of regional tax units and the improvement of the indexing and presentation of tax laws;

4. the improvement of the organization of the Department, including its capacity to coordinate in budget matters with the Department responsible for the Budget; the defining of appropriate staffing patterns;

5. the strengthening of the capacity of the Directorate of Taxation in tax administration, especially through staff training and the improvement of procedures for the identification and verification of tax bases and for the settlement of disputes;

6. the modification of the rules and procedures used in determining the tax basis of companies for indirect taxes in order to eliminate multiple taxation of inputs through deductions and, for direct taxes, the establishment of a body of fixed rules for the evaluation of financial statements in the calculation of taxable income;

7. the consolidation and substantial revision of the laws and regulations governing taxation;

8. the rationalization of the financial position of the decentralized agencies through the identification and modification of currently utilized tax bases in order to standardize them and support regional and local budgets;

9. the strengthening of the data processing and analytical capacity of the Department; and

10. the development of a program of training and other incentives for staff according to the actions defined by the Borrower relative to the restructuring of the civil service in its Program of Structural Adjustment.

Part D: Management of Public Enterprises

The improvement of the capacity of the Department of Portfolio to monitor the performance of public enterprises and the training of staff in performance auditing.

Part E: Civil Service Reform; Other Activities

1. The development of a pilot program within each of the above Departments in conformity with the actions defined by the Borrower in its Program of Structural Adjustment and relating to improvement in the civil service and its system of compensation, including the establishment of priorities among objectives and tasks through training programs designed to fulfill manpower requirements; and

2. the carrying out of studies and surveys in support of the Program of Structural Adjustment, including three statistical surveys, namely, of household budgets, modern enterprises and traditional enterprises, to be carried out by the National Institute of Statistics, and selected sectoral, regional and economic policy impact studies, all under terms of reference satisfactory to the Association.

Part F: Procurement

The procurement of vehicles, equipment and furniture necessary to carry out the above activities, including data processing equipment for the Borrower's debt agency (OGEDEP) and the Bank of Zaire.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

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 equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account the Borrower shall furnish to the Association, prior to or at the time of any request for replenishment of the Special Account, or at the request of the Association, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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; or

(ii) the total unwithdrawn amount of the Credit minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the

date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

SCHEDULE 4

Implementation Program

Actions	Dates
1. Receipt by the Association for comment of a proposed staff Incentive Program (Part E 1 (a) of the Project)	February 29, 1988
2. Restructuring of the Department of Planning and adoption by it of internal procedures satisfactory to the Association	October 30, 1988
3. Adoption of a system providing for three-year Public Investment Plans with procedures for implementation satisfactory to the Association	October 30, 1988
4. Completion by the Department of Planning of a manpower development and rationalization program (Part E 1 (b) and (c) of the Project)	October 30, 1988
5. Completion of similar programs by the Departments of the Budget and of Finance	October 30, 1988
6. Adoption by Departments of the programs described in paragraphs 4 and 5 above.	Six months later

SCHEDULE 5

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent

with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. For the purpose of inviting bids, goods shall be grouped into lots of a value of at least \$100,000 equivalent where practicable.

Part B: Other Procurement Procedures

1. Goods which, after grouping, are estimated to cost less than the equivalent of \$100,000 may be procured through competitive bidding (adjudication publique) advertised locally as described in paragraph 3.3 of the Guidelines provided, however, that the procedures followed are, except as provided in such paragraph 3.3, substantially the same as those for international bidding as described in Part II of the Guidelines.

2. Miscellaneous items of a value of less than \$30,000 equivalent after grouping may be procured through shopping, as described in paragraph 3.4 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. With respect to each contract estimated to cost the equivalent of \$30,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to this Agreement.

3. The provisions of the preceding subparagraphs 1 and 2 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contract shall be retained in accordance with Section 4.01 (a) (ii) of this Agreement.

4. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

