CONFORMED COPY

GRANT NUMBER H280-BU

Financing Agreement

(Community and Social Development Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 22, 2007
FINANCING AGREEMENT

AGREEMENT dated May 22, 2007, entered into between REPUBLIC OF BURUNDI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twenty six million nine hundred thousand Special Drawing Rights (SDR 26,900,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are April 15 and October 15 in each year.

2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministry of the Interior and Public Security in accordance with the provisions of Article IV of the General Conditions.
3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consists of the following:

(a) The Recipient has adopted the: (i) Project Implementation Manual; (ii) Administrative, Financial, and Accounting Manual; and (iii) Monitoring and Evaluation Manual, all in form and substance satisfactory to the Association.

(b) The Recipient has recruited to the Executive Secretariat: (i) a training and capacity-building specialist; (ii) a civil works specialist; (iii) a monitoring and evaluation specialist; (iv) a socio-environmental specialist, all with qualifications, experience, and terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

(c) The Recipient has established a financial management system, in form and substance satisfactory to the Association.

(d) The Recipient has appointed external auditors with qualifications, experience, and terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date 90 days after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minster at the time responsible for finance.

5.02. The Recipient’s Address is:

Ministry of Finance
P. O. Box 1830
Bujumbura
Burundi

Facsimile:

257-22-38-27

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at Bujumbura, Burundi, as of the day and year first above written.

REPUBLIC OF BURUNDI

By /S/ Denise Sinankwa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /S/ Alassane Sow

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to establish and operate a decentralized, transparent, and participatory financing mechanism that empowers local governments and Communities for purposes of improved and more equitable local service delivery.

The Project consists of the following parts:

1. **Capacity Building**

   (a) **Local Development**

   (i) **Communities**

   Capacity building with respect to local development activities, including in areas of participatory assessment, planning, and monitoring, financial management and procurement, and safeguards issues, for purposes of identification of Community members, assets, and issues, assessment of priorities, development and implementation of Subprojects, and agreement on participatory monitoring and evaluation mechanism.

   (ii) **Communes**

   (A) Preparation of Communal Development Plans, including activities relating to Vulnerable Groups, through participatory identification of Commune assets and issues and the identification and assessment carried out under Part 1 (a) (i) (A) of the Project, and development and implementation of corresponding Subprojects; and

   (B) Provision of institutional support such as information management and communication equipment and rehabilitation of premises.

   (iii) **Line Ministries**

   (A) Provision of support to Directorate General of Decentralization and Mobilization for Self-Development at central and decentralized levels, particularly with respect to monitoring and evaluation of activities under Part 1 (a) (i) and (ii) of Project; and
(B) Carrying out of information campaign and training for Line Ministries with respect to Project activities.

(b) Social Cohesion

Information, education, and communication activities with respect to Vulnerable Groups for benefit of:

(i) Local government actors, for purposes of creating improved comprehension and support of said groups;

(ii) Representative or support organizations, for purposes of strengthening support and assistance to said groups; and

(iii) Member organizations, for purposes of strengthening organizational capacity, participation in local development activities, and resolution of issues.

2. Public Subprojects

(a) Local Development

Financing of Community- and Commune-driven socioeconomic investments, notably in the following areas:

(i) Collective economic facilities (markets, slaughterhouses, bus stations);

(ii) Culture and sports (youth centers, sports grounds);

(iii) Education (classrooms, teacher training, literacy programs);

(iv) Health (health centers, HIV / AIDS prevention centers, health personnel training);

(v) Transportation (roads, bridges); and

(vi) Water and sanitation (equipped water sources, latrines).

(b) Social Cohesion

Financing of Community- and Commune-driven investments for benefit of Vulnerable Groups:
(i) Targeted at specific needs of said groups, notably in the following areas:

(A) Schooling of Batwa children and orphans (identification, registration, sensitization, provision of schooling kits);

(B) Housing construction for Batwa families and returnees;

(C) Sports equipment for orphans and the youth;

(D) Youth activities (theatre, sports events, youth camps, exchange visits, cultural festivals, artistic activities);

(E) Technical and vocational training (construction, handicrafts, mechanics, Community-value activities such as bakery and seed-nursery operation and cheese-making, establishment of producer associations); and

(F) Alphabetization.

(ii) Establishment of local mechanisms for provision of community services such as:

(A) Psychosocial counseling such as weekly support visits by specialized counselors to female victims of violence, orphans, and people living with HIV / AIDS; and

(B) Legal assistance such as to Batwa communities, female victims of violence, orphans, and widows with respect to land restoration, identification cards, and legal defense.

3. Project Management, Monitoring and Evaluation, and Communication

(i) Administrative, financial, and technical management of Project, including capacity building of Project entities for this purpose and financing of Operating Costs.

(ii) Project monitoring and evaluation, including results-oriented data collection for purposes of management decisions and impact evaluation.

(iii) Development and implementation of communication strategy for information circulation amongst Project stakeholders, including development and maintenance of website with relevant functionalities.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. Ministry of the Interior and Public Security

The Ministry of the Interior and Public Security shall provide oversight of Project implementation in accordance with the following institutional arrangements.

National Orientation and Steering Committee

(a) The Recipient shall maintain, throughout Project implementation, the National Orientation and Steering Committee, in form and substance and with functions and resources satisfactory to the Association, and comprising the First Vice President as Chair and Line Ministers.

(b) Without limitation upon the provisions of subparagraph (a) of this Section, the National Orientation and Steering Committee shall be responsible for: (i) supervision of overall orientation, coordination, and monitoring and evaluation of Project implementation; and (ii) approval of Project annual work programs and budgets.

Technical Execution Monitoring Committee

(c) The Recipient shall maintain, throughout Project implementation, the Technical Execution Monitoring Committee, in form and substance and with functions and resources satisfactory to the Association, and comprising at least the Minister of the Interior and Public Security or his duly appointed representative as Chair and representatives from the Line Ministries, local government, and civil society.

(d) Without limitation upon the provisions of subparagraph (c) of this Section, the Technical Execution Monitoring Committee shall be responsible for: (i) review of Project annual work programs and budgets for submission to the National Orientation and Steering Committee; (ii) monitoring of and provision of guidance with respect to Project implementation; (iii) approval of any amendment to the Project Implementation Manual, the Administrative, Financial, and Accounting Procedures Manual, and the Monitoring and Evaluation Manual; and (iv) regular review of Financial Reports and any audit reports thereon, and ensuring follow-up of any recommendations under said audit reports.
**Executive Secretariat**

(e) The Recipient shall maintain, under the Directorate General of Decentralization and Mobilization for Self-Development throughout Project implementation, the Executive Secretariat, in form and substance and with functions and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association and in accordance with the provisions of Section III of this Schedule 2, including the persons referred to in Section 4.01 (b) of this Agreement as well as an executive secretary, an administrative and financial officer, a procurement specialist, and an accountant.

(f) Without limitation upon the provisions of subparagraph (e) of this Section, the Executive Secretariat shall be responsible for: (i) oversight, in collaboration with the Technical Directorates of the Directorate General of Decentralization and Mobilization for Self-Development, of all technical, social, and environmental matters relating to Project implementation; (ii) planning of Project activities and preparation of Project annual work programs, both jointly with said Directorates; (iii) monitoring and evaluation of Project activities jointly with said Directorates; (iv) financial management and procurement; and (vi) implementation of Subproject Grant Agreements concluded with Communes.

**Directorate General of Decentralization and Mobilization for Self-Development**

(g) Province-level entities of the Directorate General of Decentralization and Mobilization for Self-Development shall be responsible for: (i) circulation of information relating to Project activities; (ii) receipt, analysis, and circulation of activity reports furnished by Communes; and (iii) technical monitoring of Province-level facilitation agencies.

2. Communes and Communities

(a) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, any provision of the Communal Law if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation or achievement of the objective thereof.

(b) The Community shall be responsible for: (i) carrying out of participatory needs assessments for preparation of Communal Development Plans; and (ii) identification and preparation of Subprojects.
(c) Without limitation upon the provisions of subparagraph (a) of this Section, the Commune shall be responsible for: (i) carrying out of consultations with Communities with respect to preparation of Communal Development Plans; (ii) approval of said plans; (iii) preparation and approval of Subprojects for forwarding to the Executive Secretariat; (iv) conclusion and execution of Subproject Grant Agreements with the Executive Secretariat; (v) conclusion of agreements with Communities for implementation and management of Community-level Subprojects; and (vi) monitoring of operation and maintenance of infrastructure financed under the Project.

3. Line Ministries

Line Ministries shall, through their de-concentrated officers, be responsible for: (i) provision of technical advice to Communities and Communes with respect to sector strategies and quality norms; (ii) technical clearance of Communal Development Plans and Subproject proposals; (iii) provision of staff and equipment to Subprojects as required; (iv) development and updating of rosters of qualified contractors, suppliers, and technical assistance providers; and (v) provision of technical assistance with respect to quality standards of infrastructure financed under the Project.

4. Service Providers

The Recipient shall recruit, prior to commencement of implementation of Part 1 (a) (i) and (b) of the Project and in accordance with the provisions of Section III of this Schedule 2, and maintain as long as necessary, facilitation agencies with qualifications, experience, terms of reference, functions, and resources satisfactory to the Association for purposes of the carrying out of support and facilitation activities under said Part of the Project.

B. Subprojects

1. General

(a) The Recipient shall maintain, throughout Project implementation, the Communal Councils, in form and substance and with functions and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association.

(b) Without limitation upon the provisions of subparagraph (a) of this Section, the Communal Council shall, on behalf of the Recipient, appraise, approve, and monitor Subprojects in accordance with the provisions of this Part B and the Project Implementation Manual.
2. **Subproject Grant Eligibility and Subproject Implementation Guidelines and Procedures**

No proposed Subproject shall be eligible for financing under the Project unless the Communal Council has determined, on the basis of an appraisal conducted in accordance with this Part B and the Project Implementation Manual, that the proposed Subproject satisfies the eligibility criteria specified below and in further detail in the Project Implementation Manual, which shall include the following:

(a) the proposed Subproject has been initiated by a Community or Commune which meets the eligibility criteria specified in the Project Implementation Manual;

(b) the proposed Subproject is for activities set forth in Section 2 of Schedule 1 to this Agreement and in further detail in the Project Implementation Manual;

(c) the proposed Subproject does not satisfy any of the non-eligibility criteria specified in the Project Implementation Manual;

(d) the proposed Subproject complies with the Environmental and Social Management Framework, Indigenous Peoples Development Plan, and Resettlement Policy Framework;

(e) the proposed Subproject is consistent with the respective Communal Development Plan or, in the absence thereof, has been identified through a Community- and / or Commune-level participatory process;

(f) the proposed Subproject is consistent with the relevant standards and national sector policies.

(g) the cost of the proposed Subproject does not exceed: (A) $25,000 at Community level and $100,000 at Commune level with respect to Subprojects under Part 2 (a) of the Project; and (B) $15,000 with respect to Subprojects under Part 2 (b) of the Project;

(h) with respect to Subprojects under Part 2 (a) of the Project: the respective Community is contributing at least three percent (3%) of the projected Subproject costs in cash or in kind; and the respective Commune is contributing, in accordance with the provisions of said Manual, at least between 0.5 and two (2) percent of the projected Subproject costs in cash, as per and from its Communal budget; and

(i) the Beneficiary has established a specific committee for management of the proposed Subproject and put in place all necessary
arrangements, including financial and human resources, for maintenance of the Subproject.

3. Terms and Conditions of Subproject Grant Agreements

(a) A Subproject shall be carried out pursuant to a Subproject Grant Agreement, to be concluded between the Executive Secretariat on behalf of the Recipient and the respective Communal Council on behalf of the Beneficiary, under terms and conditions, satisfactory to the Association, described in further detail in the Project Implementation Manual, which shall include the following:

(i) the obligation: (A) of the respective Community to contribute at least three percent (3%) of the projected Subproject costs in cash or in kind; and (B) of the respective Commune to contribute, in accordance with the provisions of said Manual, at least between 0.5 and two (2) percent of the projected Subproject costs in cash, as per and from its Communal budget;

(ii) the obligation of the Beneficiary to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, environmental, financial, and administrative practices; (B) ensure that the resources required for the Subproject are provided promptly as needed; (C) maintain adequate records to reflect, in accordance sound accounting practices, the resources, operations, and expenditures relating to the Subproject; and (D) at the request of the Association or the Recipient, have such records audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records as so audited to the Recipient and the Association;

(iii) the requirement that the goods, works, and consultants’ services to be financed from the proceeds of the Subproject Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Subproject; and

(iv) the right of the Executive Secretariat, on behalf of the Recipient, and of the Recipient in its own right, to: (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof, and any
relevant records and documents; (B) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of Subprojects; and (C) suspend or terminate the right of any Beneficiary to use the proceeds of the Subproject Grant upon failure by the Beneficiary to perform any of its obligations under the Subproject Grant Agreement.

(b) the Executive Secretariat or the Recipient, as the case may be, shall exercise its rights under the Subproject Grant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project objective, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any substantive provision of the aforementioned.

C. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out, through its Ministry of the Interior and Public Security, the Project in accordance with the Project Implementation Manual, the Administrative, Financial, and Accounting Procedures Manual, and the Monitoring and Evaluation Manual referred to in Section 4.01 (b) of this Agreement; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation or achievement of the objective thereof.

D. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Environmental and Social Management Framework, Indigenous Peoples Development Plan, and Resettlement Policy Framework, and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation or achievement of the objective thereof.

2. The Recipient shall ensure that Subprojects likely to have an adverse environmental or social impact shall be appraised, approved, and monitored in accordance with the provisions of the Environmental and Social Management Framework, Indigenous Peoples Development Plan, and Resettlement Policy Framework, and specific procedures set out in the aforementioned.
3. The Recipient shall maintain, throughout Project implementation, the socio-environmental specialist referred to in Section 4.01 (b) of this Agreement, who shall be responsible for implementation of the Environmental and Social Management Framework, Indigenous Peoples Development Plan, and Resettlement Policy Framework.

4. In the event of any conflict between the provisions of the Environmental and Social Management Framework, Indigenous Peoples Development Plan, or Resettlement Policy Framework and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this section. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following, to be assessed as of the Closing Date:

(i) Project Objective

(A) At least 70 percent of the targeted Communes show an increase in access to and use of primary health, primary education, and water services, as compared with that at the time of conclusion of the respective Subproject Grant Agreement.

(B) At least 70 percent of the infrastructure financed under Subprojects is maintained and operational two years after completion of the respective Subproject.

(C) At least 15 percent of the targeted Communes have obtained funding for Communal Development Plan activities from outside the Project.

(D) At least 50 percent of the targeted Communes have integrated the concerns of Vulnerable Groups in their Communal Development Plans.
(ii) Part 1 of Project

(A) At least 90 percent of the targeted Communes have developed or updated their Communal Development Plans on a participatory basis.

(B) At least 80 percent of the targeted Communes have developed a strategy to ensure participation of Vulnerable Groups in their decision-making process, notably with respect to Communal Development Plans.

(iii) Part 2 of Project

(A) At least 430 Community- and Commune-level Subprojects have been completed.

(B) At least 70 Subprojects targeting or relating to Vulnerable Groups have been completed.

(iv) Part 3 of Project

(A) At least 60 percent of the targeted Communes provide robust monitoring and evaluation information in an appropriate timeframe.

(B) A communication strategy targeting all Project stakeholders has been developed and implemented.

(C) Each audit report following the audit referred to in Part B.3 of this Section II has been unqualified.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, as part of the Project Report, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under
the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Procurement from United Nations Agencies</td>
</tr>
<tr>
<td>(e) Community Participation</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)  Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b)  Least Cost Selection</td>
</tr>
<tr>
<td>(c)  Selection of Individual Consultants</td>
</tr>
<tr>
<td>(d)  Single Source Selection</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of $150,000 or more; (b) each contract for works estimated to cost the equivalent of $200,000 or more; (c) each contract for consultants’ services with specific and exclusive regard to the terms of reference for such contract; (d) the first contract for consultants’ services provided by a firm; (e) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; (f) the first contract for consultants’ services provided by an individual; (g) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more; (h) each contract for consultants’ services procured on the basis of single source selection; and (i) each contract for training, workshops, and study tours in accordance with the provisions of the Project Implementation Manual. All other contracts shall be subject to Post Review by the Association.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Grant Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>640,000</td>
<td>100</td>
</tr>
<tr>
<td>(2) Works</td>
<td>480,000</td>
<td>100</td>
</tr>
<tr>
<td>(3) Consultants’ services, including audits</td>
<td>1,550,000</td>
<td>100</td>
</tr>
<tr>
<td>(4) Training</td>
<td>1,850,000</td>
<td>100</td>
</tr>
<tr>
<td>(5) Subprojects</td>
<td>20,150,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(6) Operating Costs</td>
<td>440,000</td>
<td>100</td>
</tr>
<tr>
<td>(7) Refund of Project Preparation Advance</td>
<td>420,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>1,370,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>26,900,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section IV, no withdrawal shall be made in respect of Subprojects under Category (5) above, unless
the respective Subproject Grant Agreement shall have been made in accordance with the provisions of this Schedule and the Project Implementation Manual, as evidenced by submission of the first three (3) Subproject Grant Agreements concluded under the Project for approval by the Association.

2. The Closing Date is December 31, 2012.

Section V. Other Undertakings

The Recipient shall recruit, no later than three (3) months after the Effective Date and in accordance with the provisions of Section III of this Schedule 2, a firm with qualifications, experience, and terms of reference satisfactory to the Association for the purpose of Commune-level financial oversight of Subprojects.
APPENDIX

Definitions

1. “Administrative, Financial, and Accounting Procedures Manual” (Manuel des procédures administratives, financières, et comptables) means the manual adopted by the Recipient, outlining administrative, financial management, and accounting arrangements, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Administrative, Financial, and Accounting Procedures Manual.

2. “Batwa” means the indigenous people who are the oldest recorded inhabitants of the Great Lakes region of central Africa and recognized as being the smallest minority group of the Recipient’s population.

3. “Beneficiary” means a Community (as hereinafter defined) or Commune (as hereinafter defined) which meets the criteria specified in the Project Implementation Manual (as hereinafter defined) and to which or for whose benefit a Subproject Grant (as hereinafter defined) is made or proposed to be made for the carrying out of a Subproject (as hereinafter defined).

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. “Communal Council” (Conseil Communal) means the decision-making organ of the Commune, established and operating pursuant to the Recipient’s Law No. 1/016 of April 20, 2005.

7. “Communal Development Plan” (Plan Communal de Développement Communautaire) means the plan prepared by a Commune pursuant to the Recipient’s Law No. 1/016 of April 20, 2005 and outlining its priority development needs for a given period of five (5) years.

8. “Commune” (Commune) means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 1/16 of April 20, 2005, representing a designated area and population within the territory of the Recipient.

9. “Community” (Colline) means an administrative area of the Recipient in a Commune, established pursuant to the Recipient’s Law No. 1/16
of April 20, 2005, representing a designated area and population within the territory of the Recipient.


11. “Environmental and Social Management Framework” (Cadre de Gestion Environnementale et Sociale) means the framework, dated November 2006, adopted by the Recipient, outlining the environmental and social screening process to be followed in identifying, assessing, and mitigating the potential adverse environmental and social impact, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be updated from time to time with the concurrence of the Association, and such term includes any schedules to the Environmental and Social Management Framework.

12. “Executive Secretariat” (Secrétariat Exécutif) means the Project entity established and operating pursuant to the Recipient’s Order No. 04/VP1 of January 22, 2007.

13. “Indigenous Peoples Development Plan” (Plan concernant les populations Batwa) means the Recipient’s plan, dated October 2006, outlining measures to ensure culturally appropriate social and economic benefits for the Batwa under the Project and avoidance, minimization, or mitigation of or compensation for any potential adverse effects on the Batwa associated with activities to be implemented under the Project, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be updated from time to time with the concurrence of the Association, and such term includes any schedules to the Indigenous Peoples Development Plan.


15. “Line Ministry” means any one of the Recipient’s ministries responsible at the time for good governance; general inspection of the state and local government; development planning and national reconstruction; finance; public works and equipment; land settlement, the environment, and tourism; energy and mining; national education and culture; public health; youth and sports; and national solidarity, human rights, and gender.

17. “Monitoring and Evaluation Manual” (Manuel de Suivi-Evaluation) means the manual adopted by the Recipient, outlining monitoring and evaluation arrangements, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Monitoring and Evaluation Manual.

18. “National Orientation and Steering Committee” (Comité National d’Orientation et de Pilotage) means the Project entity established and operating pursuant to the Recipient’s Order No. 04/VP1 of January 22, 2007.

19. “Operating Costs” means the incremental expenses incurred by the Recipient on account of Project implementation, management, and monitoring, including for office space rental, utilities, and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance, advertising expenses, travel and supervision, salaries and statutory contributions of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.


21. “Project Implementation Manual” (Manuel d’Exécution) means the manual adopted by the Recipient, outlining implementation, organizational, disbursement, procurement, and environmental and social monitoring and mitigation arrangements, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Project Implementation Manual.

22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 8, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant
to the letter agreement signed on behalf of the Association on September 12, 2005 and on behalf of the Recipient on September 28, 2005.

24. “Province” (Province) means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 1/010 of March 18, 2005, representing a designated area and population within the territory of the Recipient.

25. “Resettlement Policy Framework” (Cadre de Politique de Réinstallation involontaire et de compensation) means the Recipient’s framework, dated October 2006, outlining arrangements for the resettlement and compensation of persons affected by potential changes in land use associated with activities to be implemented under the Project, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as the same may be updated from time to time with the concurrence of the Association, and such term includes any schedules to the Resettlement Policy Framework.

26. “Subproject” means a specific activity carried out under Part 2 of the Project, financed or proposed to be financed through a Subproject Grant (as hereinafter defined).

27. “Subproject Grant” means a grant made or proposed to be made to finance a Subproject.

28. “Subproject Grant Agreement” means an agreement between the Recipient represented by the Executive Secretariat and a Beneficiary, setting forth the terms and conditions under which proceeds of the Financing shall be made available to the Beneficiary for the purpose of financing Subprojects.

29. “Technical Execution Monitoring Committee” (Comité Technique de Suivi de l’Exécution) means the Project entity established and operating pursuant to the Recipient’s Order No. 04/VP1 of January 22, 2007.

30. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.

31. “Vulnerable Group” means any one of the following groups of persons: Orphans, households affected by HIV/AIDS, destitute women, the Batwa, internally displaced persons, returnees, the handicapped, and the youth.