Project Agreement

(Emergency Social Action Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LE FONDS SOCIAL DE LA RÉPUBLIQUE DÉMOCRATIQUE DU CONGO

Dated , 2004
AGREEMENT dated  , 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and LE FONDS SOCIAL DE LA RÉPUBLIQUE DÉMOCRATIQUE DU CONGO (FSRDC).

WHEREAS (A) by the Development Grant Agreement of even date herewith between the Democratic Republic of Congo (the Recipient) and the Association, the Association has agreed to make available to the Recipient an amount in various currencies equivalent to forty one million one hundred thousand Special Drawing Rights (SDR 41,100,000), on the terms and conditions set forth in the Development Grant Agreement, but only on conditions that FSRDC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Recipient and FSRDC, the proceeds of the Grant provided for under the Development Grant Agreement will be made available to FSRDC on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS FSRDC, in consideration of the Association’s entering into the Development Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Grant Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Execution of the Project

Section 2.01. (a) FSRDC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Grant Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, 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 Association and FSRDC shall otherwise agree, FSRDC shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) FSRDC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, FSRDC shall:

(i) 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 Association and FSRDC, a plan designed to ensure the continued achievement of the Project’s objectives and

(ii) afford the Association a reasonable opportunity to exchange views with FSRDC on said plan.
Section 2.04. FSRDC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, FSRDC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) FSRDC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Grant.

(b) FSRDC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Grant, or the performance by FSRDC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

ARTICLE III

Management and Operations of FSRDC

Section 3.01. FSRDC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. FSRDC shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. FSRDC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) FSRDC shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance
with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) FSRDC shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each semester (or other period agreed to by the Association) commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such semester (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such semester (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

(i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least two years after the Association has received the audit report for, or covering, the semester in which the last withdrawal from the Grant Account was made;

(ii) enable the Association’s representatives to examine such records; and
(iii) ensure that such reports or statements of expenditure are included in any audit that the Association may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon FSRDC’s reporting obligations set out in Section IV of Schedule 2 to this Agreement, FSRDC shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

Section 4.03. FSRDC shall:

(a) have a technical audit, the conditions of which are defined in more details in the POM, carried out for each semester (or other period determined by the Association) to assess the performance of the Project and to review procurement, statements of expenditures, and immobilizations as well as verifying the physical existence of goods, equipments and services acquired throughout the Project, by independent technical auditors acceptable to the Association; and
(b) furnish to the Association as soon as available, but in any case not later than three months after the end of the semester (or other period determined by the Association) a report prepared by said technical auditors on said technical audit.

ARTICLE V

Effective Date; Termination;

Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Grant Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of FSRDC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Grant Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Grant Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify FSRDC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address.
hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address: Telex: Facsimile:
INDEVAS 248423 (MCI) or (202) 477-6391  
Washington, D.C. 64145 (MCI)

For FSRDC:

Fonds Social de la République Démocratique du Congo  
Croisement des Avenues Kasa-Vubuu et Tombalbaye  
Kinshasa, Gombe  
DRC

Telephone: Facsimile:
243-98162875 243 88 08 142

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of FSRDC may be taken or executed by the Coordination Unit or such other person or persons as the Coordination Unit shall designate in writing, and FSRDC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

FONDS SOCIAL DE LA RÉPUBLIQUE DÉMOCRATIQUE DU CONGO

By

Authorized Representative
SCHEDULE 1

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $200,000 equivalent per contract and works estimated to cost less than $1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.
2. **Shopping.** Civil works estimated to cost less than $100,000 and goods estimated to cost less than $50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping, in accordance with the provisions of paragraphs 3.5 of the Procurement Guidelines.

3. **Direct Contracting.** Goods which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of paragraphs 3.6 and 3.7 of the Procurement Guidelines.

4. **Procurement from UN Agencies.** Vehicles, motorcycles and computers may be procured directly from specialized agencies of the United Nations in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. **Community Participation.** Goods, works and services required for Sub-Projects under Part A of the Project may be procured on the basis of community participation in accordance with procedures acceptable to the Association and further specified in the POM.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Least-cost Selection.** Audit services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
3. Single Source Selection. In exceptional cases, services for consultants that meet the requirements of paragraphs 3.9 through 3.13 of the Consultant Guidelines and services to be provided by United Nations agencies’ for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines, may, with the Association's prior agreement, be procured on a single source basis.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. 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 provided by a firm estimated to cost the equivalent of $100,000 or more; (d) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Association.
SCHEDULE 2

Implementation Program

I. Project Administration and Management

1. FSRDC shall maintain at all times during the implementation of the Project, the CU to oversee the day-to-day implementation of the Project, approving Sub-Projects, preparing reports, and recruit thereto staff having qualifications and experience satisfactory to the Association.

2. FSRDC shall prepare and furnish to the Association (a) the POM in form and substance satisfactory to the Association setting out inter alia responsibilities for project management, procurement and contracting procedures, procedures for providing scholarships under Part C.1 of the Project, the MGM outlining procedures to provide Micro-Grants to Beneficiaries under Part A of the Project, Project performance indicators and such other administrative, legal and organizational arrangements as shall be required for the implementation of the Project and (b) the PAFM outlining financial management and disbursement arrangements;

3. FSRDC shall carry out the Project in accordance with the provisions of the POM, and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

II. Safeguards

Within six months from the Date of Effectiveness, FSRDC shall have prepared the ESMF, the IPDP and the RPF, all satisfactory in form and substance to the Association. FSRDC shall ensure that the Project is implemented in accordance with the provisions of the aforementioned, and except as the Association shall otherwise agree, FSRDC shall not amend or waive any provision of the aforementioned.

III. Procedures and Eligibility Criteria for Micro-Grants

1. FSRDC shall prepare and furnish to the Association the MGM in form and substance satisfactory to the Association setting out details of: (a) Sub-Projects to be financed by Micro-Grants and eligibility; (b) Beneficiaries; (c) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of
Sub-Projects; (d) procurement, financial management and disbursement arrangements; (e) performance indicators; (f) standard formats for Micro-Grant Agreements; and (g) such other administrative, legal, financial and organizational arrangements as shall be required for providing Micro-Grants.

2. FSRDC shall provide Micro-Grants in accordance with procedures and eligibility criteria set forth in the MGM, which shall include, but not be limited to the following:

(a) Sub-Projects shall be: (i) in one of the following sectors: education, health and nutrition, water, micro-irrigation, agriculture, rural transport, energy and environment; (ii) economically, financially and technically viable in accordance with standards set forth in the MGM; (iii) in compliance with the requirements of the ESMF, the RPF and the IPDP, in particular as regards the analysis of the social and environmental impacts of the Sub-project and the setting up of appropriate mitigation measures; and (iv) initiated by a Beneficiary;

(b) a Micro-Grant for basic infrastructure Sub-Projects referred to under Part A.1 of the Project shall not exceed: $50,000 and shall be extended in compliance with specific conditions as set forth in the POM;

(c) a Micro-Grant for larger and more complex Sub-Projects such as bridges and water systems referred to under Part A.2 of the Project shall not exceed $850,000 and shall be extended in compliance with specific conditions as set forth in the POM; and

(d) the Beneficiary shall contribute 10% of the Sub-Project cost in cash or in kind.

3. A Micro-Grant shall be provided through a Micro-Grant Agreement to be entered into with the Beneficiary, under terms and conditions satisfactory to the Association, which shall include the following:

(a) the Beneficiary’s obligation to carry out the Sub-Project in accordance with the MGM, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Micro-Grant;

(b) the requirement that: (i) goods, works and services to be financed from the proceeds of the Micro-Grant shall be procured in accordance with the procedures set forth in Schedule 1 to this Agreement, and (ii) such goods, works and services shall be
used exclusively in the carrying out of the eligible activities in accordance with the MGM.

(c) the right of the FSRDC to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction financed by the Micro-Grant, the operations thereof and any relevant records and documents;

(d) the right of FSRDC to obtain all information as FSRDC or the Association shall reasonably request regarding the administration, operation and financial conditions of the Sub-Project; and

(e) the right of FSRDC to suspend or terminate the right of the Beneficiary to use the proceeds of the Micro-Grant upon the failure by the Beneficiary to perform any of its obligations under the Micro-Grant Agreement.

IV. Review

1. FSRDC 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 Schedule 5 to the Development Grant Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 15, 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, by July 15, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.