Development Grant Agreement

(Emergency Demobilization and Reintegration Project)

between

DEMOCRATIC REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 10, 2004
DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated June 10, 2004, between DEMOCRATIC REPUBLIC OF CONGO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated May 4, 2004, from the Recipient describing a program of actions, objectives and policies designed to address the Emergency (as hereinafter defined) (the Program) and declaring the Recipient’s commitment to the execution of the Program;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project) and which forms part of the Program, has requested the Association to assist in the financing of the Project;

(C) the Recipient intends to obtain from the Multi-Country Demobilization and Reintegration Program Trust Fund (the “MDTF”) a grant in an aggregate amount equivalent to at least one hundred million US dollars ($100,000,000) to assist in the financing of the Project, on terms and conditions set forth in an agreement (the “MDTF Grant Agreement”) to be entered into between the Recipient and the Association (acting as the administrator of the MDTF); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), with the modifications set forth in Schedule 6 to this Agreement, constitute an integral part of this Agreement.
Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Armed Forces and Armed Groups” means organized groups that engaged in military fighting and were parties to the Final Act (as hereinafter defined) including Forces Armées Congolaises (FAC), Mouvement de Libération du Congo (MLC), Rassemblement Congolais pour la Démocratie (RCD), Rassemblement Congolais pour la Démocratie - Mouvement de Libération (RCD-ML), Rassemblement Congolais pour la Démocratie – National (RCD-N) and the Maï Maï, as well as armed irregular groups defined in the Project Implementation Manual (as hereinafter defined);

(b) “Congolese Francs” or “CF” means the currency of the Recipient;

(c) “Cape Town Principles” means a set of principles and best practice on the prevention of recruitment of children into armed forces and armed groups and demobilization and social reintegration of children associated with armed forces and armed groups in Africa adopted in Cape Town on April 30, 1997;

(d) “CGFDR” means the committee in charge of managing of funds for disarmament, demobilization and reinsertion activities established and operating pursuant to Decree No. 03/043 dated December 18, 2003 (the “CGFDR Decree”);

(e) “CIDDR” means the inter-ministerial committee in charge of conception and supervision of disarmament, demobilization and reinsertion activities established and operating pursuant to Decree No. 03/041 dated December 18, 2003 (the “CIDDR Decree”);

(f) “CONADER” means the national commission for disarmament, demobilization and reinsertion established and operating pursuant to Decree No. 03/042 dated December 18, 2003 (the “CONADER Decree”);

(g) “Emergency” means the extraordinary event of limited duration which for the purposes of this Agreement started in October 1996, and which was caused by the escalation of the armed conflict in the territory of the Recipient;

(h) “Environmental Assessment” or “EA” means the evaluation of the Project's potential environmental risks and impacts in its area of influence, to be conducted by the Recipient in accordance with the provisions of Section II.1 of Schedule 4 to this Agreement and to be used as the basis for preparation of an Environmental and Social Framework (as hereinafter defined) as needed, and an Environmental and Social Management Plan (as hereinafter defined) as needed;
(i) “Environmental and Social Framework” or “ESF” means the framework, in form and substance satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impact of the Project, as the same may be updated from time to time with the approval of the Association, to be prepared as needed on the basis of the EA and to be used as the basis for preparation as needed of an Environmental and Social Management Plan (as hereinafter defined), in accordance with the provisions of Section II.1 of Schedule 4 to this Agreement;

(j) “Environmental and Social Management Plan” or “ESMP” means the plan, in form and substance satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impact of the Project, to be prepared as needed on the basis of the ESF, as the same may be updated from time to time with the approval of the Association, in accordance with the provisions of Section II.1 of Schedule 4 to this Agreement;

(k) “Ex-Combatant” means any member of an Armed Group, or any child as defined by the Cape Town Principles associated with an Armed Group, who fulfills the criteria for combatant status, to be set out in administrative texts to be enacted by the Recipient pursuant to Section 6.01 (e) of this Agreement;

(l) “Final Act” means the agreement entered into among parties to the Inter-Congolese Dialogue on April 2, 2003, by which they endorsed agreements that constitute a comprehensive program for the restoration of peace and national sovereignty during a transition period of two years, and including, inter alia: the Global and All-Inclusive Agreement on the Transition in the Democratic Republic of the Congo (December 2002), the Transitional Constitution, the memorandum on military and security issues (March 2003), and the 36 resolutions adopted by the Inter-Congolese Dialogue in Sun City (March and April 2002);

(m) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(n) “Fiduciary Management Agency” or “FMA” means the agency to be recruited pursuant to Section 6.01 (b) of this Agreement;

(o) “Manual of Financial and Accounting Procedures” or “MFAP” means the manual adopted by the Recipient pursuant to Section 6.01 (d) of this Agreement, outlining the financial and accounting procedures, policies, and guidelines to be followed by the Recipient in Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the MFAP;

(p) “Orientation Center” means centers where Ex-Combatants will be directed in pre-determined groups, unarmed and with their military status “suspended”, for
identification and verification of status, medical visit including HIV/AIDS sensitization and the possibility of testing, and information on conditions and benefits of demobilization;

(q) “PNDDR” means Programme National de Désarmement, Démobilisation et Réinsertion, the Recipient’s national program for disarmament, demobilization and reinsertion adopted by the Government of the Borrower at the inter-ministerial council dated May 7, 2004;

(r) “Project Implementation Manual” or “PIM” means the manual adopted by the Recipient pursuant to Section 6.01 (d) of this Agreement, and containing details of procurement and disbursement arrangements, monitoring and evaluation arrangements, arrangements for environmental and social monitoring, and other administrative and organizational arrangements, as shall have been agreed with the Association for purposes of Project implementation, and as the same may be amended from time to time with the occurrence of the Association, and such term includes any schedules to the PIM;

(s) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the Letter Agreement signed on behalf of the Association on January 30, 2004, and on behalf of the Recipient on February 19, 2004;

(t) “Province” means an administrative area established pursuant to Décret-Loi No. 081 du 2 juillet 1998 portant Organisation Territoriale et Administrative de la République Démocratique du Congo tel que modifié et complété par le Décret-Loi No. 018/2001 du 28 septembre 2001, representing a designated area and population in the territory of the Recipient;

(u) “Provincial Program Office” or “PPO” means the program offices to be established in each Province to help administer Program activities at the provincial level, established and operating pursuant to the Arrêté relating to the operation of CONADER to be published pursuant to Section 6.01 (e) of this Agreement (the “CONADER Arrêté”);

(v) “Special Account” means each of the accounts referred to in Section 2.02 (b) of this Agreement;

(w) “Special Target Group” means a special group of Ex-Combatants that are provided targeted support for their medical rehabilitation or social and economic reintegration and comprises those who are children, female, disabled, chronically ill or HIV/AIDS positive, as well as other groups defined in the PIM; and

(x) “Transitional Subsistence Allowance” or “TSA” means grants to be made to eligible Ex-Combatants under terms and conditions defined in the Project Implementation Manual for purposes of their reinsertion into civilian life.
ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount in various currencies equivalent to sixty-eight million one hundred thousand Special Drawing Rights (SDR 68,100,000).

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

(b) The Recipient may, for the purposes of the Project, open and maintain in US Dollars two separate special deposit accounts, one for the Category (4) of paragraph 1 of Schedule 1 to this Agreement (Special Account A), one for the Categories (1), (2), (3) and (5) of paragraph 1 of Schedule 1 to this Agreement (Special Account B), each in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 un-withdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant, not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in
each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency specified in this Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.05. The Closing Date of the Grant shall be March 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.06. 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 Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall carry out, through CONADER, with due diligence and efficiency and in conformity with appropriate financial, technical, administrative, and military demobilization 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of 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 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:
(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the Project objective; and

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

Section 3.04. Within three months from the Date of Effectiveness, the Recipient shall have established a management information system functional and satisfactory to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Accounts, for each semester (or other period determined by the Association) audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four (4) months after the end of each semester (or other period determined by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such semester (or other period determined by the Association) as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Association shall 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, the Recipient shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least two years after the Association has received the audit report for the semester (or other period determined by the Association) in which the last withdrawal from the Grant 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 reports or statements of expenditures are included in the audit for each semester (or other period determined by the Association) referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in Section III of Schedule 4 to this Agreement, the Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association an FMR, in form and substance satisfactory to the Association, which:

(i) sets forth actual and projected 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 projected sources and 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 previously forecast and actual implementation targets; 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 such calendar quarter.
Section 4.03. The Recipient shall:

(a) have a technical audit, the conditions of which are defined in more details in the Project Implementation Manual, carried out for each semester (or other period determined by the Association) to assess the performance of the Program 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

Remedies of the Association

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

(a) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) the CONADER Decree, the CIDDR Decree, the CGFDR Decree, the CONADER Arrêté or any texts enacted for their application shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project;

(c) the MDTF Grant Agreement has not come into effectiveness by December 31, 2004; and

(d) the MDTF Grant has been suspended or cancelled for any reason whatsoever.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:
(a) the following staff, with qualifications and experience satisfactory to the Association, have been appointed: in CONADER: a Project coordinator, a deputy Project coordinator, a financial and personnel manager, a director for disarmament and demobilization, a director for reinsertion, a director for sensitization and information, and a director for children associated with Armed Groups; and in CGFDR: an administrator and a procurement specialist;

(b) the FMA has been recruited and a financial management and accounting system for the Project, including the MFAP, satisfactory to the Association, has been established with the assistance of the FMA;

(c) the independent auditor satisfactory to the Association referred to in Section 4.01 (b) of this Agreement has been recruited;

(d) the PIM, including the procurement plan, and the MFAP, in form and substance satisfactory to the Association, has been adopted by the Recipient;

(e) administrative texts, satisfactory to the Association, setting out the eligibility criteria for the demobilization and reintegration of Ex-Combatants have been published, and the CONADER Arrêté as well as arrêtés defining the organization and operation of CIDDR, CONADER and CGFDR, satisfactory to the Association, have been published.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for Finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Minister of Finance
Ministry of Finance
Boulevard du 30 juin
BP 12997
Kinshasa I - Gombe
Democratic Republic of Congo

Facsimile:

243 880 23 81

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477 6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF CONGO

By /s/ Faïda Mitifu
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Authorized Representative
**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>70,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Vehicles, furniture, equipment and materials</td>
<td>15,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services (including audits) and training</td>
<td>17,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Transitional Subsistence Allowance (TSA)</td>
<td>18,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>14,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Refunding of the Project Preparation Advance</td>
<td>880,000</td>
<td>Amount due pursuant to Section 2.02 (c) of this Agreement</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>950,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>68,100,000</td>
<td></td>
</tr>
</tbody>
</table>

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2. For the purposes of this Schedule, the term:

(a) “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) “TSA” means the grants referred to in Section 1.02 (x) of this Agreement; and

(d) “Operating Costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office space rental and utilities, office supplies, reasonable bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Recipient’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 13,600,000, may be made on account of payments made for Eligible Expenditures before that date but after January 31, 2004.

4. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions of the arrêté ministériel No. 003/CAB/MIN/FIN/2004 portant dispositions particulières applicables aux marchés publics à financement extérieur, which exempt the goods, services and works to be financed under the Project from taxes and customs duties levied by the Recipient. If any change is made to said arrêté which has the effect of levying taxes or customs duties on such goods, services or works, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) civil works under contracts costing less than $200,000 equivalent each; (b) goods under contracts costing less than $150,000 equivalent each; (c) services under contracts costing less than $100,000 equivalent each for consulting firms and less than $50,000 equivalent each for individual consultants; (d) TSA; and (e) Operating Costs, each under such terms and conditions as the Association shall specify by notice to the Recipient.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in creating long-term sustainable social development and supporting macroeconomic stability in its territory through the: (a) demobilization of approximately 150,000 Ex-Combatants, while providing support for their reinsertion and social and economic reintegration; and (b) contribution to reallocation of the Recipient’s resulting budget savings from defense to social and economic sectors.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Demobilization

Support to sensitization, identification, and pre-discharge orientation, including: delivery of identification cards, collection of key socio-economic data and medical screening, through the provision of goods, works and technical advisory services as needed.

Part B: Reinsertion

Transitional assistance to Ex-Combatants through the provision of basic need kits, technical advisory services and training, as well as TSA.

Part C: Reintegration of Ex-Combatants

Support to the reintegration of Ex-Combatants both: (i) economic, through the provision of: goods such as small agricultural equipment; training; and advisory services in particular for the promotion of income generating activities; and (ii) social, by developing and carrying out of community level programs to promote reconciliation through the provision of technical advisory services.

Part D: Special Target Groups

Support to special target groups defined in the Project Implementation Manual, and in particular: (i) for the social and economic reintegration of female Ex-Combatants by: ensuring that special needs be taken into consideration in Demobilization Centers; equal benefits be granted; the provision of counseling services; strengthening gender awareness and capacity within CONADER; and monitoring the impact of the Program, all through the
provision of technical advisory services; (ii) for the medical and economic assistance of disabled and chronically ill Ex-Combatants through the provision of works, goods, technical advisory services and training; (iii) for the social and economic reintegration of children associated with Armed Forces and Armed Groups by providing family tracing and unification, trauma counseling, psycho-social care, facilitation of access to education and recreation in communities of settlement through the provision of goods and technical advisory services; and (iv) for the medical and economic assistance of Ex-Combatants who are HIV positive through the provision of works, goods, technical advisory services and training.

Part E: Institutional Development and Program Implementation Support

Strengthening the capacity of the Recipient’s institutions at the central and local level to carry out and support activities under the Project, through the provision of training and technical advisory services, and acquisition of vehicles and equipment, the financing of Operating Costs and the carrying out of audits.

* * *

The Project is expected to be completed by September 30, 2007.
SCHEDULE 3

Procurement and Consultants’ Services

Section I: Procurement of Good and Works

A. General

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section.

B. International Competitive Bidding

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

C. Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and

(b) Works estimated to cost more than $100,000 equivalent per contract and less than $500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Drugs, reagents, medical equipment estimated to cost less than $150,000 equivalent per contract, and other goods estimated to cost less than $50,000 equivalent per contract, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.
3. **Direct contracting**

Goods which must be purchased from the original supplier of existing equipment in order to be compatible with such equipment, or which are of a proprietary nature may be procured, with the Association’s prior agreement, from a particular manufacturer or an authorized local supplier in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. **Procurement from UN Agencies**

Goods, including vehicles, motorcycles, computers, drugs and medical supplies, may be procured through United Nations Agencies (IAPSO, UNFPA, UNICEF, WHO, WFP, etc.) in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. **Procurement of Small Works**

Works estimated to cost less than $100,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

D. **Review by the Association of Procurement Decisions**

1. **Procurement Planning**

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

2. **Prior Review**

(a) With respect to each contract for goods estimated to cost $150,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply; and
(b) With respect to each contract for works estimated to cost $200,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

A. General

Consultants’ services shall be procured in accordance with: (a) the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto; and (b) the following provisions of this Section.

B. Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

C. Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits estimated to cost less than $75,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications
Services for training, technical advisory services and implementation support for Special Target Groups and HIV/AIDS activities, 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 and 3.7 of the Consultant Guidelines.

3. **UN Agencies**

Technical assistance services may be procured under contracts with UN agencies in accordance with the provisions of paragraph 3.13 of the Consultant Guidelines.

4. **Single Source Selection**

Technical advisory services and services for activities such as the transfer of funds may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. **Individual Consultants**

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines;

D. **Review by the Association of the Selection of Consultants**

1. **Selection Planning**

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. **Prior Review**

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience terms of reference
and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

Implementation Program

I. Project Coordination and Management

1. The Recipient shall at all times during the implementation of the Project maintain CIDDR, CONADER and CGFDR and in form and with functions satisfactory to the Association.

2. CIDDR shall be responsible for designing general orientations, policy formulation, general supervision of the implementation of demobilization and reintegration activities, as well as ensuring coordination with defense sector reform activities and policies.

3. CONADER shall be responsible for overall coordination, management and implementation of the Program, and in particular: (i) the preparation of annual implementation plans and detailed costing; (ii) the implementation and coordination of the Program components, and to this end shall work in close collaboration with the relevant Recipient agencies as well as local community organizations and associations, the private sector, and UN agencies; (iii) monitoring and evaluation of Program implementation progress and impacts; and (iv) coordination with international donor agencies. The Recipient shall maintain at all times during the implementation of the Project CONADER with the following five departments with staff recruited through a competitive process and with terms of reference satisfactory to the Association: disarmament and demobilization, reinsertion/re-integration, administration and finance, children associated with Armed Groups, and information and sensitization.

4. CONADER shall be represented in each Province by a PPO which shall report to CONADER, and whose staff shall be satisfactory to the Association. PPOs shall have the following responsibilities: (i) updating the inventory of projects and training and employment providers; (ii) conducting outreach activities, including counseling and referral, and providing support to income-generating activities; (iii) managing the work of Ex-Combatants outreach personnel; (iv) technical and financial monitoring of reintegration activities, especially at the community level; and (v) liaising with Recipient institutions at the local level, non-governmental institutions, and other reconstruction bodies.

5. CGFDR shall ensure, in a transparent manner, financial management and procurement activities necessary to the Project, and ensure proper reporting to CONADER.

6. The Recipient shall carry out the Project in accordance with the PIM and MFAP, and shall not amend or waive any provision thereof, which in the opinion of the Association shall materially or adversely impact the implementation of the Project. The PIM shall specify the detailed rules and processes for demobilization, including identification and
screening of Ex-Combatants; the criteria, procedures and terms and conditions of reinsertion and reintegration assistance to Ex-Combatants, in particular the allocation of TSA; the verification of assistance packages; and the flow of funds to Ex-Combatants and verification of the use of such funds by Ex-Combatants for the intended purposes.

7. Without limitation to the provisions of Section 4.01 to 4.03 of this Agreement, the Recipient shall, at the end of each first two quarters from the Date of Effectiveness, and semiannually thereafter, or upon the request of the Association, furnish to the Association: (i) a list of Ex-Combatants, (ii) an independent audit report confirming that a statistically representative sample of Ex-Combatants have received their TSA in accordance with the Project Implementation Manual; and (iii) information on the purposes for which the TSA payments were utilized by the sample of Ex-Combatants as well as the income-generation and economic status and extent of social reintegration of such sample of Ex-Combatants.

II. Safeguard Policies

1. The Recipient shall, within six months of the Date of Effectiveness, conduct the EA, in form and substance satisfactory to the Association, and shall prepare the ESF, as needed, in form and substance satisfactory to the Association, on the basis of the EA, and the ESMP, as needed, in form and substance satisfactory to the Association, on the basis of the ESF. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the aforementioned, and except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

III. Monitoring and Evaluation

1. The Recipient shall:

   (a) maintain and apply policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association including those provided for in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

   (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31 in each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
(c) review with the Association, by April 30 in each year, 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.

2. The Recipient shall carry out no later than December 31 every year an external evaluation of the implementation of the Project, including an analysis of environmental and social monitoring indicators, under terms of reference satisfactory to the Association, and communicate to the Association the results of such evaluation.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means in respect of Special Account A Category (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and in respect of Special Account B Categories (1), (2), (3), and (5) 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, works and services as well as TSA required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount of $3,000,000 in respect Special Account A, and an amount of $5,000,000 in respect Special Account B to be withdrawn from the Grant Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent of $1,500,000 in respect Special Account A and to an amount equivalent of $3,000,000 in respect Special Account B until: (i) in respect of Special Account A the aggregate amount of withdrawals from the Grant allocated to Category (4) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B the Project shall be equal to or exceed the equivalent of SDR 2,000,000; and (ii) in respect of Special Account B the aggregate amount of withdrawals from the Grant allocated to Categories (1), (2), (3), and (5) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, C, D and E of the Project shall be equal to or exceed the equivalent of SDR 20,500,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:
(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts, which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;
(c) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:
   (a) The term “Borrower” is modified to read “Recipient”;
   (b) The term “Credit” is modified to read “Grant”;
   (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”;
   (d) The term “Credit Account” is modified to read “Grant Account”; and
   (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:
   (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

   “Section 4.02 Currencies in which Commitment Charges are Payable

   (a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

   (b) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.


(c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

6. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Association of their respective obligations under the Development Grant Agreement and the accomplishment of the purposes of the Grant.”

7. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”
SCHEDULE 7

Performance Indicators

1. 30,000 Ex-Combatants are demobilized by the end of the first year of the Project; and an additional 80,000 Ex-Combatants are demobilized by the end of the second year of the Project;

2. eligible Ex-Combatants receive their first reinsertion payment upon discharge from demobilization sites, and 80% of their TSA within nine (9) months of their demobilization;

3. an external evaluation of the implementation of the Project is carried out annually in accordance with Section III.2 of Schedule 4 to this Agreement and includes an analysis of environmental and social monitoring indicators;

4. the ratio between social sector expenditures and defense expenditures increases each year of the project from the 2002 baseline of 23%;

5. withdrawal requests are made in a timely fashion;

6. orientation centers are established according to the timeline in the joint operation plan;

7. less than 5% error (double or incorrect payments) made in reinsertion payments;

8. 60% of demobilized Ex-Combatants engaged in productive economic activities (or schooling) 1 year after receiving their final payment;

9. a program for female Ex-Combatants active within 6 months of beginning of demobilization process; and

10. 70% of children associated with Armed Forces et Armed Groups successfully reintegrated in their chosen reintegration site within 12 months of leaving the transit and orientation centers.