

CONFORMED COPY

CREDIT NUMBER 2103-ET

Development Credit Agreement

(Market Towns Development Project)

between

PEOPLES DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 30, 1990

CREDIT NUMBER 2103-ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 30, 1990, between PEOPLES DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) Parts A.2 and E.5 of the Project will be carried out by the Housing and Savings Bank (HSB); Parts D and E.3 of the Project will be carried out by the Agricultural and Industrial Development Bank (AIDB) and Parts C and E.2 of the Project will be carried out by the Water Supply and Sewerage Authority (WSSA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to HSB, AIDB and WSSA part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association and HSB, AIDB and WSSA, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "AIDB" means the Agricultural and Industrial Development Bank established pursuant to Proclamation No. 158 of 1979 of the Borrower;

(b) "HSB" means the Housing and Savings Bank established pursuant to Proclamation No. 60 of 1975;

(c) "WSSA" means the Water Supply and Sewerage Authority established pursuant to Proclamation No. 219 of 1981 of the Borrower;

(d) "AIDB Project Agreement" means the agreement between the Association and AIDB of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(e) "HSB Project Agreement" means the agreement between the Association and HSB of even date herewith, as the same may be made from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "WSSA Project Agreement" means the agreement between the Association and WSSA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(g) "Project Agreements" means, collectively, the AIDB Project Agreement, the HSB Project Agreement and the WSSA Project Agreement;

(h) "AIDB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and AIDB pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(i) "HSB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and HSB pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(j) "WSSA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and WSSA pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(k) "Subsidiary Loan Agreements" means, collectively, the AIDB Subsidiary Loan Agreement, the HSB Subsidiary Loan Agreement and the WSSA Subsidiary Loan Agreement;

(l) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(m) "MUDH" means the Borrower's Ministry of Urban Development and Housing;

(n) "NUPI" means the National Urban Planning Institute established pursuant to Proclamation No. 317 of 1987 of the Borrower;

(o) "phase-one towns" means the towns of Assela, Shashemane, Ziway, Goba-Robe, Arsi Negele, Ambo, Mizan Teferi and Wollisso;

(p) "phase-two towns" means the towns of Bahir Dar, DebreBolum, Woldia, Asbe Teferi, Debre Tabor, Arba Minch, Bodele and Awassa;

- (q) "UDPO" means the Urban Development Project Office within MUDH;
- (r) "HASIDA" means Handicrafts and Small Industry Development Agency;
- (s) "Birr" means the currency of the Borrower.
- (t) "Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated September 18, 1989, and dated October 16, 1989, between the Borrower and the Association;
- (u) "Sub-loan" means a loan to be made by AIDB to any microscale or small-scale enterprise pursuant to Section 2.06 of the AIDB Project Agreement;
- (v) "Letter Agreement" means the agreement between the Borrower and the Association dated April 21, 1988, as amended, which provides, inter alia, that on lending rates shall be positive in real terms and shall provide an adequate spread for the financial intermediaries;
- (w) "WSSSU" means the Water Supply and Sewerage Service Unit of WSSA; and
- (x) "Central Association" means the Central Association established pursuant to Proclamation No. 206 of 1981 of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty-one million four hundred thousand Special Drawing Rights (SDR 31,400,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars in the National Bank of Ethiopia on terms and conditions satisfactory to the Association: (i) a special account (the HSB Special Account) for the purposes of Parts A.2 and E.5 of the Project; (ii) a special account (the WSSA Special Account) for the purposes of Parts C and E.2 of the Project; and (iii) a special account (the AIDB Special Account) for the purposes of Parts D and E.3 of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, Association shall, on behalf of the Borrower, withdraw for the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall therefore be cancelled.

Section 2.03. The Closing Date shall be June 30, 1997, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates

on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 2000, and ending October 1, 2029. Each installment to and including the installment payable on October 1, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts A.1, B, E.1 and E.4 of the Project through MUDH and HASIDA with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide promptly as needed, the funds, facilities and other resources required for the purpose.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause AIDB, HSB and WSSA to perform in accordance with the provisions of the Project Agreements

all the obligations of AIDB, HSB and WSSA therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable AIDB, HSB and WSSA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend part of the proceeds of the Credit equivalent to \$6,900,000 million to HSB under a subsidiary loan agreement to be entered into between the Borrower and HSB under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of at least 1.5% per annum for a term of twenty six (26) years including a grace period of six (6) years.

(d) The Borrower shall relend part of the proceeds of the Credit equivalent to \$6,200,000 to AIDB under a subsidiary loan agreement to be entered into between the Borrower and AIDB under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of at least 2% per annum, for a term of fifteen (15) years including a grace period of six (6) years.

(e) The Borrower shall relend part of the proceeds of the Credit equivalent to \$16,100,000 to WSSA under a subsidiary loan agreement to be entered into between the Borrower and WSSA under terms and conditions which shall have been approved by the Association which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of at least 1.5% per annum for a term of twenty six (26) years including a grace period of six (6) years.

(f) The Borrower shall relend part of the proceeds of the Credit equivalent to \$4,600,000 to phase-one towns, and \$2,600,000 to phase-two towns under financing agreements to be entered into between the Borrower and each phase-one and phase-two town under terms and conditions which shall have been approved by the Association, which shall provide, inter alia, that the proceeds of the Credit shall be relent at an interest rate of at least 1.5% per annum, for a term of twenty six (26) years including a grace period of six (6) years.

(g) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03 through 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) shall be carried out by AIDB, HSB and WSSA, respectively, pursuant to Section 2.03 of the AIDB, HSB and WSSA Project Agreements, respectively.

Section 3.04. The Borrower shall, not later than June 30, 1990, establish and maintain a Project Advisory Committee whose chairman shall be the Minister of MUDH and whose other members shall consist of senior officials of MUDH, HSB, AIDB, WSSA, HASIDA and others as may be required. The said Project Advisory Committee shall be responsible for resolving operational issues arising during implementation of the Project.

Section 3.05. In carrying out Part E.1 (b) of the Project, the Borrower shall, not later than June 30, 1990, establish and maintain a Financial Management Consultancy Unit within MUDH under terms of reference acceptable to the Association. The said Financial Management Consultancy Unit shall be responsible for, inter alia, introducing improved revenue collection and accounting procedures in phase-one towns.

Section 3.06. The Borrower shall, until completion of the Project, consult with the Association prior to allowing Ambo or Sheshemane Central Association to undertake any capital investment from its own resources in any fiscal year in an aggregate amount in excess of Birr 100,000.

Section 3.07. The Borrower shall take all appropriate measures to ensure that central associations of phase-one towns recover on site infrastructure costs, as appropriate, associated with carrying out Part A.1 of the Project from beneficiaries through levying of plot development and other charges.

Section 3.08. The Borrower shall take all measures necessary to ensure that the interest rates charged by AIDB and HSB conform to the terms of the Letter Agreement, as such agreement may, be amended from time to time.

Section 3.09. The Borrower shall, at least until the completion of the Project, maintain UDPO and provide UDPO with competent staff in sufficient numbers to enable it to coordinate the implementation of the Project.

Section 3.10. In carrying out Part E.1 of the Project the Borrower shall: (a) not later than March 31, 1992, complete a Housing Sector Study under terms of reference agreed with the Association; and (b) thereafter furnish to the Association for review the report of the study.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.1, B, E.1 and E.4 of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the

annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal control involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall take all appropriate measures to ensure that WSSA complies with Section 4.02 of the WSSA Project Agreement.

ARTICLE V

Remedies of the Association

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

(a) AIDB, HSB or WSSA shall have failed to perform any of their obligations under the respective Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that AIDB, HSB or WSSA will be able to perform their respective obligations under the Project Agreement.

(c) Proclamations No. 60 of 1975, 158 of 1979, and 219 of 1981 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of HSB, AIDB or WSSA to perform any of their obligations under the respective Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AIDB, HSB, WSSA or HASIDA or for the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Subsidiary Loan Agreements have been executed on behalf of the Borrower and AIDB, HSB and WSSA, respectively.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreements have been duly authorized or ratified by AIDB, HSB and WSSA, respectively, and are legally binding upon AIDB, HSB and WSSA, respectively in accordance with their terms; and

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower, AIDB, HSB and WSSA, respectively, and are legally binding upon the Borrower and AIDB, HSB and WSSA, respectively, in accordance with their terms.

Section 6.03. 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for foreign economic relations is designated as representative of the Borrower 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 Borrower:

Office of State Committee
for Foreign Economic Relations
P.O. Box 2428
Addis Ababa
Ethiopia

Cable address:	Telex:
OSCFER ET Addis Ababa	21368

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLES DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Tekola Dejene
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Amount of the

Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(1) Civil Works:		
(a) for Part A.1 of the Project	625,000	100% of foreign expenditures and 70% of local expenditures
(b) for Part B of the Project	3,510,000	100% of foreign expenditures and 70% of local expenditures
(c) for Part C of the Project	3,900,000	100% of foreign expenditures and 55% of local expenditures
(2) Goods:		
(a) Pipes and fittings for Part C of the Project	4,520,000	100% of foreign expenditures and 55% of local expenditures
(b) Building materials for Part A.2 of the Project	1,480,000	100% of foreign expenditures
(c) Vehicles and equipment for:		100% of foreign expenditures
(i) MUDH	585,000	
(ii) WSSA	55,000	
(iii) HSB	280,000	
(iv) AIDB	125,000	
(v) HASIDA	155,000	
(vi) Phase-one towns	935,000	
(d) Electrical and Mechanical Equipment for Part C of the Project	1,685,000	100% of foreign expenditures and 55% of local expenditures
(e) Machinery and Equipment for Part D of the Project	2,940,000	100% of foreign expenditures
(3) Consultants' services, training and studies for:		
(a) MUDH	1,200,000	
(b) WSSA	1,055,000	
(c) HSB	280,000	
(d) AIDB	90,000	

(e) HASIDA	335,000	
(4) Loans for house construction	2,885,000	75%
(5) Loans for:		
(a) Micro-Scale Enterprises	630,000	80%
(b) Small-Scale Enterprises	610,000	50%
(6) Salaries for:		
(a) Project Management Office of MUDH	73,000	100% of foreign expenditures and 50% of local expenditures
(b) UDPO	750,000	100% of foreign expenditures and 50% of local costs
(7) Refunding of Project Preparation Advance	75,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	2,622,000	
TOTAL	31,400,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

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

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals and no commitments shall be made in respect of payments made for expenditures under:

(a) Category 4 for Part A.2 (b) of the Project unless MUDH has submitted to the Association a marketing plan, satisfactory to the Association for sale of developer-built houses to the Borrower's development officers.

(b) Categories 1 (a), 1 (b) and 2 (c) (vi) unless the Borrower has furnished to the Association a financing agreement, whose terms and conditions shall have been approved by the Association, with any phase-one or phase-two town which has applied for a loan pursuant to Section 3.01 (f) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase the efficiency of urban town which are market and service centers, to promote equity for women and lower-income groups and to support the Borrower's plan for administrative decentralization.

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

Part A: Housing Sites and Services

1. Construction of about 1,100 serviced housing plots, including supporting infrastructure in about six phase-one towns.
2. Making by HSB of loans to finance the construction of:
 - (a) self-help built houses and related services; and
 - (b) developer built houses and related services.

Part B: Municipal Infrastructure

1. Construction of new roads and culverts and rehabilitation of roads, drains and other related civil works in phase-one towns.
2. Carrying out improvements to markets in phase-one and phase-two towns.
3. Extension of power lines to service new housing areas in two phase-one towns.
4. Provision of municipal vehicles and equipment to phase-one towns.

Part C: Water Supply

1. Rehabilitation of water supply facilities in four phase-one towns, including rehabilitation of pumps, replacement and/or repair of chlorination equipment and instrumentation, repair works of buildings, and additions and repairs to distribution networks.
2. Construction of extensions to existing water supply systems in two phase-one towns, including new source works, transmission mains, treatment plants and distribution systems.

Part D: Loans to Small-scale Enterprises and Micro-scale Enterprises

Making by AIDB of Sub-loans to small-scale enterprises and micro-scale enterprises for sub-projects in phase-one and phase-two towns.

Part E: Institutional Development

1. For MUDH:
 - (a) Carrying out a housing sector study, including development of investment program for housing.
 - (b) Establishment of a Financial Management Consultancy Unit to assist municipalities in improving revenue and accounting systems and procedures.
 - (c) Establishment of a Project Management Unit to coordinate and monitor performance of institutions and agencies implementing the Project.
 - (d) Strengthening NUPI's capacity for urban and regional planning through curriculum development, training and provision of equipment.
 - (e) Carrying out feasibility studies, including engineering designs, for phase-two towns.
 - (f) Supporting UDPO's implementing capacity.
2. For WSSA:
 - (a) Strengthening WSSA's operations in the fields of financial management, engineering and management; and establishment of a Management Information System for WSSA and improvement of its management and engineering services.

(b) Training of WSSA staff in financial management, accountancy, water resource management and engineering.

3. For AIDB:

(a) Training of AIDB's branch officers and other staff in small-scale and micro-scale enterprise lending.

(b) Provision of vehicles and equipment.

4. For HASIDA:

(a) Training of HASIDA staff in promotion, organization and registration of small-scale and micro-scale enterprises.

(b) Provision of vehicles and equipment.

5. For HSB:

(a) Training of HSB staff in technical, financial management and computer fields.

(b) Provision of vehicles and equipment, including computer software and hardware.

(c) Carrying out a Housing Finance Study.

* * * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Building materials estimated to cost less than the equivalent of \$20,000 per contract up to an aggregate amount not to exceed the equivalent of \$300,000 may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Machinery and equipment for small-scale enterprises estimated to cost in the aggregate not more than the equivalent of \$3.9 million may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two countries eligible under the Guidelines in accordance with procedures acceptable to the Association.

3. Machinery and equipment for micro-scale enterprises estimated to cost in the aggregate not more than the equivalent of \$300,000 may be procured under contracts awarded on the basis of price quotations solicited from a list of at least three suppliers from at least two countries eligible under the Guidelines in accordance with procedures acceptable to the Association.

4. Civil works contracts for on-site and municipal infrastructure and building contracts for developer built houses may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedules 4 and 5 to this Agreement.

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

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

Section II: Employment of Consultants

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

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of the HSB Special Account, Categories (2) (b), (2) (c) (iii), (3) (c) and (4); (ii) in the case of the WSSA Special Account, Categories (1) (c), (2) (a), (2) (c) (ii), (2) (d) and (3) (b); and (iii) in the case of the AIDB Special Account, Categories (2) (c) (iv), 2 (e), (3) (d) 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 and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent to: (i) \$1,500,000 in the case of the HSB Special Account; (ii) \$2,000,000 in the case of the WSSA Special Account; and (iii) \$1,000,000 in the case of the AIDB Special

Account.

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

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

(a) For withdrawals of any Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts 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; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association (A) provide such additional evidence as the Association may request, or (B) deposit into the Special

Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

