

CONFORMED COPY

CREDIT NUMBER 2420 ANG

(Transport Recovery Project)

between

PEOPLE'S REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 15, 1992

CREDIT NUMBER 2420 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 15, 1992, between PEOPLE'S REPUBLIC OF ANGOLA (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) the Borrower will describe its strategy for the transport sector in its Letter of Transport Sector Policy;

(C) the Borrower intends to contract from the Swedish International Development Agency (SIDA) a grant (the SIDA Grant) in an amount equivalent to SwK 20,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and SIDA;

(D) the Borrower intends to contract from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(E) the Borrower intends to contract from the Danish Aid Agency (DANIDA) a grant (the DANIDA Grant) in an amount equivalent to \$3,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "CFL" means Caminhos de Ferro de Luanda, the Railway enterprise of the Borrower, established pursuant to the Borrower's Despacho Conjunto dated March 15, 1980;

(b) "DNIC" means the National Directorate of Investments and Construction of MINPLAN, as hereinafter defined;

(c) "Implementation Agreements" means the agreements entered into among the Borrower's government, ministries, agencies and enterprises responsible for the implementation of the Project, as set forth in Part C of Schedule 4 to this Agreement;

(d) "INEA" means Instituto de Estradas de Angola, the Angolan Highway Institute of the Ministry of Public Works and Urban Development, established by Decree No. 28/90 of the Borrower dated November 17, 1990;

(e) "MINPLAN" means the Ministry of Planning of the Borrower, established by Law No. 7/79 of the Borrower dated June 22, 1979;

(f) "Port of Lobito" means the Borrower's enterprise established to administer the Port of Lobito pursuant to Despacho Conjunto of the Borrower dated March 15, 1980;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter of Agreement dated February 3, 1992, and countersigned by the Borrower on February 28, 1992;

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

(i) "FY" or "fiscal year" means the Borrower's fiscal year which runs from January 1 to December 31.

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 the Development Credit Agreement, an amount in various currencies equivalent to thirty million Special Drawing Rights (SDR 30,000,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account 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 Account 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 Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1996, 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 or 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 payment 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 semi-annually on June 1 and December 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 June 1 and December 1 commencing December 1, 2002 and ending June 1, 2032. Each installment to and including the installment payable on June 1, 2012, shall be one per cent (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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall: (i) carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and (ii) shall take and cause to be taken all action to enable its ministries, agencies and enterprises to perform their respective obligations under the Implementation Agreements as set forth in Part C of Schedule 4 to this Agreement.

Section 3.02. (a) 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.

(b) The Borrower shall ensure that all contracts for civil works carried out under Parts A.1, A.2, and C of the Project shall be submitted to the Association, in draft form, for its review, including evidence satisfactory to it, certifying that the Borrower's mine removal program has been completed at the sites of the respective civil works.

Section 3.03. The Borrower shall: (a) open and maintain a revolving account in dollars in a commercial bank (the Project Account), on terms and conditions satisfactory to the Association; and

(b) make monthly deposits into the Project Account, of such amounts in local currency or such other currency as may be acceptable to the Association, as shall be required to timely replenish the Project Account, and maintain it throughout Project implementation, at a permanent amount equivalent to one million dollars.

Section 3.04. Except as the Association and the Borrower shall so agree, the Borrower shall until the completion of the Project:

(a) submit to the Association for its review and comments:

- (i) not later than November 1 of each year, the draft annual work program and budget for INEA for the upcoming year; and
- (ii) not later than November 1, 1993, and by November 1, of each year thereafter, a draft three-year public investment program for the transport sector, and

(b) promptly thereafter, approve such draft work program, budget and public investment program in a manner acceptable to the Association and taking into consideration the recommendations made by the Association.

Section 3.05. (a) The Borrower and the Association shall not later than twelve (12) months after the Effective Date, conduct a first year review of Project implementation to:

- (i) monitor progress in: (A) carrying out the Project; (B) the performance of the Borrower's ministries, agencies, and enterprises under the Implementation Agreements; and (C) the implementation of the action plans for Port of Lobito and CFL;
- (ii) review and discuss: (A) INEA's draft road program and budget for FY 1994; and (B) the proposed three-year public investment program for the transport sector from FY 1994 to FY 1996;
- (iii) discuss and agree on an updated Project financing plan, including all other related technical assistance provided by other donor agencies and cofinanciers;

- (iv) discuss and agree on additional steps required for improved cost recovery;
- (v) discuss and agree on civil works to be carried out during the upcoming years of Project implementation, taking into consideration the following criteria: actual and expected traffic, degree of road deterioration, and classification within the transport network; and
- (vi) exchange information among staff responsible for Project implementation and propose coordinated solutions to any current issues.

(b) Not later than four weeks prior to such review, the Borrower shall furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request including:

- (i) an evaluation of progress achieved in Project implementation pursuant to the terms of this Agreement and the Implementation Agreements; and
- (ii) a draft implementation program to be carried out until completion of the Project, including: (A) detailed technical assistance; (B) provisions to maintain local counterpart staff responsible for Project implementation; and (C) an updated procurement program detailing goods and works to be procured under the Project in accordance with the provisions of Schedule 3 to this Agreement.

(c) Promptly after completing the first year review, the Borrower shall carry out those recommendations arising out of said review as agreed between the Borrower and the Association.

Section 3.06. The Borrower shall during the execution of the Project:

- (a) maintain, with functions, responsibilities, qualifications, experience and terms of reference satisfactory to the Association, the staff responsible for Project implementation as set forth in Part A of Schedule 4 to this Agreement; and
- (b) take all necessary measures to make available housing, office space and transportation to consultants employed under the Project.

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 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 including those for the Special Account 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 six (6) 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.

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) (i) Subject to paragraph (ii) of this Section:

- (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof; or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (a) (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) The Borrower's ministries, agencies and enterprises identified in Part C of Schedule 4 to this Agreement have failed to perform any of their respective obligations under the Implementation Agreements.

(c) 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 the Borrower, INEA, CFL or the Port of Lobito, as the case may be, will be able to perform their respective obligations under the Implementation Agreements.

(d) Despacho Conjunto, dated March 15, 1980, establishing CFL; Decree No. 28/90, dated November 17, 1990, establishing INEA; Despacho Conjunto, dated March 15, 1980, establishing the Port of Lobito Enterprise; and Law No. 12/88, dated July 9, 1988, establishing MINPLAN's framework law, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially the ability of the Borrower, its ministries, and agencies and enterprises to perform any of their respective obligations under this Agreement; and

(e) the Borrower or any other authority having jurisdiction shall have taken any action concerning the Borrower's transport, highway, railway and port policies that would materially and adversely affect the objectives of the Project.

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

(a) that the event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section;

(b) that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

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

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) that the Borrower has approved, taking into account the recommendations made by the Association, the following:

- (i) fuel taxation measures to recover the cost of road use to ensure collection of at least the equivalent of \$15,000,000 (fifteen million dollars) per year, starting in FY 1993;
- (ii) an action plan to control truck axle load and vehicle control at selected locations; and
- (iii) action plans for Port of Lobito and CFL, including performance objectives and tariff measures;

(b) that the Implementation Agreements, as set forth in Part C of Schedule 4 to this Agreement, have been executed;

(c) that the Project Account referred to under Section 3.03 of this Agreement has been opened with an initial deposit in local currency, or such other currency as may be acceptable to the Association, in an amount equivalent to one million dollars (\$1,000,000); and

(d) that the Borrower has prepared and submitted to the Association a satisfactory Letter of Transport Sector Policy containing, inter alia, the following general principles applicable to the transport sector: (i) maintenance of newly rehabilitated infrastructure shall be given first priority in the capital budget for the transport sector; (ii) private contractors shall be awarded a larger share of civil works in the transport sector; and (iii) administrative and policy measures shall be implemented to deregulate and privatize the transport sector.

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 this Agreement has been duly ratified by the Borrower's Council of Ministers and is legally binding upon the Borrower in accordance with its terms; and

(b) that the Implementation Agreements have been legally executed and are binding upon the Borrower, its ministries, agencies and entities in accordance with their respective 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 Planning of the Borrower 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:

Ministry of Planning
Largo do Palacio
P.O. Box 1205
Luanda
People's Republic of Angola

Cable address:

MINISTERIO DO PLANO
Luanda

Telex:

998 3395 AN/ MINPLAN
998 3082 AN/ MINPLAN

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.

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

Facsimile:

202-473-8038

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.

PEOPLE'S REPUBLIC OF ANGOLA

By /s/ Afonso van Dunem

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part A of the Project		
(1) Road and Bridge Rehabilitation		
(a) Civil works under:		80%
(i) Parts A.1 and A.2 of the Project	15,400,000	
(ii) Part A.4(b) of the Project	100,000	
(b) Goods	2,100,000	100% of foreign expenditures and 70% of local expenditures
(c) Consultants' services	2,500,000	100%

Part B of the Project

(2) Lobito Port		
(a) Consultants' services	400,000	100%
(b) Goods	100,000	100% of foreign expenditures and 70% of local expenditures

Part C of the Project

(3) Railway		
(a) Civil works	900,000	80%
(b) Goods	2,000,000	100% of foreign expenditures and 70% of local expenditures
(c) Consultants' services	400,000	100%

Part D of the Project

(4) Institutional Support		
(a) Consultants' services and audits under Part D.1 of the Project	600,000	100%
(b) Studies, technical assistance under Part D.3 of the Project	1,000,000	100%
(5) PPF	220,000	
(6) Unallocated	4,280,000	
	<hr/>	
TOTAL	30,000,000	=====

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:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Categories (1)(a)(i) and (3)(a) unless the Association has received documentary evidence, satisfactory to it, certifying that consultants' services with qualifications and experience satisfactory to the Association have been selected for the completion of detailed engineering and work supervision; and

(c) expenditures under Category (1)(a)(ii) unless the Association has received documentary evidence, satisfactory to it, certifying the Borrower's legal ownership of land where civil works financed under the Credit would be carried out under Part A.4(b) of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) restore and preserve surface access to large portions of the territory of the Borrower to support the resumption and continuation of economic activities by ensuring minimal functioning of road, rail and port transport operations; (b) promote employment in road maintenance activities; and (c) strengthen sectoral institutions.

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: Road and Bridge Rehabilitation

Urgent rehabilitation and preservation of the paved highway network, including:

1. Repair and replacement of semi-definitive metallic structures of about 25 war-destroyed bridges, in strategic locations on the main road network.
2. Resurfacing and periodic maintenance of paved roads, including: (a) about 500 km of National Highway 120 (EN120); and (b) about 200 km of National Highway 250 (EN250).
3. (a) Supervision of works and training to INEA's staff in contract management; and
(b) carrying out detailed design studies for the rehabilitation of about 600 km of roads.
4. Establishment and operation of a training unit within INEA for the execution of labor-intensive road maintenance works, through:
 - (a) strengthening of training, promotion and management capabilities of INEA;
 - (b) construction of a training center, housing and office space in Caxito;
 - (c) acquisition of tools for the training brigades; and
 - (d) operation of the training center and brigades.

Part B: Lobito Port Operations' Rehabilitation

1. Strengthening of the operational and managerial capabilities of the Lobito Port in the following areas: administration and finance, operations and statistics, procurement of spare parts, maintenance of equipment and infrastructure, and training.
2. Acquisition of spare parts and a limited amount of new equipment.
3. (a) Repair of paved areas and quay structures and part of the electrical distribution systems; and (b) carrying out detailed design, supervision of works, and maintenance training.

Part C: Railway Rehabilitation

Strengthening of Luanda Railway (CFL) in the following areas:

1. Strengthening of transport operations through the implementation of CFL's action plan.
2. Maintenance of permanent way and works including: (i) the provision of about 10 km of rails, 14,000 steel sleepers and 80,000 cubic meters of ballast; (ii) rehabilitation of stations and structures; and (iii) carrying out track maintenance works.
3. Overhaul of about eighteen coaches and three main-line locomotives.
4. Conversion of about twenty drop-sided wagons into container carriers.

Part D: Institutional Support

1. Provision of services to assist MINPLAN and the component coordinators in the

implementation of the Project.

2. Carrying out the first-phase of the Borrower's long-term institutional building process for the road, port and rail subsectors.

3. Carrying out the following:

(a) study on road transport privatization and liberalization;

(b) studies on intermodal transport facilitation, including: (i) legal and regulatory framework of maritime transport; (ii) port institutions; (iii) customs operations and documentation; and (iv) freight forwarding and insurance; and

(c) strengthening of the National Directorate of Merchant Shipping and Ports to carry out the recommendations of the study on port institutions above-mentioned.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B 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 1992 (the Guidelines).

2. Bidders for works referred to under Parts A.1 and A.2 of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts shall be grouped into bid packages estimated to cost the equivalent of: (a) \$300,000 or more, for goods; and (b) \$1,000,000 or more, for civil works.

4. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Other Procurement Procedures

1. Local Competitive Bidding:

(a) Works for: (i) minor repairs to bridges, embankments and buildings; and (ii) housing and office facilities for the training unit, up to an aggregate amount equivalent to \$800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

(b) Goods and tools up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Local Shopping:

Items or groups of items estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$100,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Limited International Bidding (LIB):

Spare parts for locomotives or other equipment, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded on the basis of LIB.

Part C: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract estimated to cost the equivalent of \$75,000 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 Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

3. The figure of 10% 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

Implementation Program

Part A: Project Management

1. Project Steering Committee

(a) A project steering committee (PSC) shall be established by the Minister of Planning with the following members: (i) Director of DNIC (chairperson); (ii) four component coordinators; (iii) a representative of the Minister of Finance; and (iv) a representative of Banco Nacional de Angola.

(b) The PSC shall meet twice a month;

(c) The PSC shall have, inter alia, the following functions: (i) guide and direct the execution of the Project; and (ii) review annual action programs and implementation schedules prepared by Component Coordinators, and submit such action programs and schedules to the Association for its comments.

2. Project Coordinator

Overall Project coordination shall be the responsibility of the DNIC and MINPLAN. The Project Coordinator shall also be responsible for the implementation of Parts D.1 and D.2 of the Project.

3. Component Coordinators

(a) There shall be four Component Coordinators (CC) as follows:

- (i) one CC for Part A of the Project;
- (ii) one CC for Part B of the Project;
- (iii) one CC for Part C of the Project; and

(iv) one CC for Part D.3 of the Project.

(b) The CCs shall report to the Project Coordinator.

(c) Each CC shall be responsible, inter alia, for the implementation of the respective Part of the Project, in accordance with the terms of the respective Implementation Agreement.

Part B: Project Unit

1. The Project Unit (PU) established within DNIC, reporting directly to the Minister of Planning, shall be responsible for the provision of technical and administrative support to the Project Coordinator and to the Project Steering Committee for the overall implementation and coordination of the Project.

2. In addition to its regular staff, PU shall employ a transport expert with qualifications and experience, satisfactory to the Association, to assist in the implementation of the Project.

3. The Transport Expert shall be responsible, inter alia, for the provision of assistance to all ministries, agencies and enterprises responsible for Project implementation with:

(a) coordinating and monitoring the implementation of all Project components;

(b) complying with component action plans and implementation schedules;

(c) carrying out procurement procedures in accordance with the provisions of Schedule 3 to this Agreement;

(d) selection, employment and performance of technical assistance employed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) maintaining Project records and accounts;

(f) keeping reporting procedures and auditing arrangements in compliance with the financial provisions referred to under Article IV of this Agreement; and

(g) preparing withdrawal applications and supervising all procedures related to disbursement and management of Special and Project Accounts.

Part C: Implementation Agreements

1. The Borrower's ministries, agencies and enterprises shall enter into implementation agreements which shall, inter alia, include the following:

(a) identification of the specific institutions responsible for the execution of the respective Project component;

(b) description of necessary coordination mechanisms; and

(c) assignment of local counterparts to be made available to work and receive training from the consultants employed under the Project.

2. The following Implementation Agreements shall be entered into:

(a) Road and Bridge Rehabilitation Implementation Agreement, between MINPLAN, Ministry of Public Works and Urban Development, for Part A of the Project;

(b) Lobito Port Operations Rehabilitation Implementation Agreement, between MINPLAN, and Ministry of Transport and Communications, for Part B of the Project;

(c) Railway Rehabilitation Implementation Agreement, between MINPLAN, and Ministry of Transport and Communications, for Part C of the Project; and

(d) Transport Studies Implementation Agreement, between MINPLAN, Ministry of Transport and Communications and Ministry of Finance, for Part D.3 of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the 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 the 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 the 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 the 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 any 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 into the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for 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 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 the 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 the 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.
