

CONFORMED COPY

CREDIT NUMBER 2895 SL

DEVELOPMENT CREDIT AGREEMENT

(Transport Sector Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 22, 1996

CREDIT NUMBER 2895 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 22, 1996, between the REPUBLIC OF SIERRA LEONE (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 Association has received a letter from the Borrower dated April 24, 1996 (the Policy Letter), describing a program of actions, objectives and policies designed to reform its transport sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) Parts A (2) (b), A (3), B (1), C (1), C (2) and C (5) of the Project will be carried out by the Sierra Leone Roads Authority (SLRA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SLRA, as a grant, a part of the proceeds of the Credit as hereinafter provided;

(D) Part C (3) of the Project will be carried out by the Sierra Leone Ports Authority (SLPA) with the Borrower's assistance and, as part of such assistance, the Borrower will relend to SLPA a part of the proceeds of the Credit as hereinafter provided;

(E) Part C (4) of the Project will be carried out by the Sierra Leone Airports Authority (SLAA) with the Borrower's assistance and, as part of such assistance, the Borrower will relend to SLAA a part of the proceeds of the Credit as hereinafter provided;

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 following Agreements of even date herewith, namely, the Project Agreement between the Association and SLRA (the SLRA Project Agreement), the Project Agreement between the Association and SLPA (the SLPA Project Agreement) and the Project Agreement between the Association and SLAA (the SLAA Project 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 modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted; and
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "CMU" means the Coordination and Monitoring Unit referred to in paragraph 3 of Schedule 4 to this Agreement;
- (b) "Ferry Services Agreement" means the agreement to be entered into between the Borrower and SLPA pursuant to paragraph 4 of Schedule 4 to this Agreement and paragraph 2 (b) of the Schedule to the SLPA Project Agreement;
- (c) "Leone" or "Le" means currency of the Borrower;
- (d) "MTCE" means the Borrower's Ministry of Transport, Communications and the Environment;
- (e) "New Management Plan" means the plan referred to in paragraph 2 (a) of the Schedule to the SLPA Project Agreement;
- (f) "Plant Pool" means the plant pool referred to under Part B (1) of the Project;
- (g) "Project Implementation Manual" means the manual referred to in Section 6.01 (g) of this Agreement;
- (h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 8, 1994 and May 22, 1996;
- (i) "Road Fund" means the Road Fund established and operating under the SLRA Act;
- (j) "RTA" means the Road Transport Authority referred to in

Section 6.01 (d) of this Agreement;

(k) "SLAA Act" means the Sierra Leone Airports Authority Act, 1988 of the Borrower, as amended to the date of this Agreement;

(l) "SLAA Project Agreement" means the agreement between the Association and SLAA 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 SLAA Project Agreement;

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

(n) "SLAA" means the Sierra Leone Airports Authority established and operating under the SLAA Act;

(o) "SLPA Act" means the Ports Act, 1964 of the Borrower, as amended to the date of this Agreement;

(p) "SLPA Project Agreement" means the agreement between the Association and SLPA 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 SLPA Project Agreement;

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

(r) "SLPA" means the Sierra Leone Ports Authority established and operating under the SLPA Act;

(s) "SLRA Act" means the Sierra Leone Roads Authority Act, 1992 of the Borrower, as amended to the date of this Agreement;

(t) "SLRA Project Account" means the account referred to in paragraph 5 of Schedule 4 to this Agreement;

(u) "SLRA Project Agreement" means the agreement between the Association and SLRA 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 SLRA Project Agreement;

(v) "SLRA" means the Sierra Leone Roads Authority established and operating under the SLRA Act;

(w) "Special Account" means an account mentioned in Section 2.02 (b) of this Agreement;

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

(y) "Subsidiary Loan Agreements" means the SLPA Subsidiary Loan Agreement and the SLAA Subsidiary Loan Agreement;

(z) "the Acts" means the SLRA Act, SLPA Act and SLAA Act; and

(aa) "the Project Agreements" means the SLRA Project Agreement, the SLPA Project Agreement and the SLAA Project Agreement.

## 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 twenty four million Special Drawing Rights (SDR 24,300,000).

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 may, for the purposes of the Project, open and maintain in dollars two special deposit accounts in a commercial bank or banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. The first of the accounts shall be in the name of MTCE (the MTCE Special Account) and the second account shall be in the name of SLRA (the SLRA Special Account). Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2001 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 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 2.06 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 percent (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 May 15 and November 15 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 semiannual installments payable on each May 15 and November 15 commencing, November 15, 2006 and ending May 15, 2036. Each installment to and including the installment payable on May 15, 2016 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, or cause to be carried out, Parts A (1), (A) (2) (a), B (2), B (3) and C (5) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and transport sector practices, and in accordance with the Project Implementation Manual, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause SLRA, SLPA and SLAA to perform in accordance with the provisions of the Project Agreements all the respective obligations of SLRA, SLPA and SLAA 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 SLRA, SLPA and SLAA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out, or cause to be carried out, Parts A (1), A (2) (a), B (2), B (3) and C (5) of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(d) The Borrower shall out of the proceeds of the Credit:

(i) relend to SLPA the amounts allocated from time to time to Categories (1) (b) and (3) (c) in Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and SLPA, under terms and conditions which shall have been approved by the Association and which shall include the following principal terms and conditions:

(A) SLPA shall pay interest on the amount of the

SLPA Subsidiary Loan withdrawn and outstanding from time to time at a rate of 6.9% per annum;

- (B) the principal of the SLPA Subsidiary Loan shall be repaid in 20 years (including 5 years of grace); and
  - (C) the SLPA Subsidiary Loan repayable by SLPA shall be the equivalent in the value of the currency or currencies withdrawn from the Credit Account under Categories (1) (b) and (3) (c) in the said Schedule; such equivalent to be determined as of the date or respective dates of repayment;
- (ii) relend to SLAA the amounts allocated from time to time to Categories (1) (c), (2) (c) and (3) (d) in Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and SLAA, under terms and conditions which shall have been approved by the Association and which shall include the following principal terms and conditions:
- (A) SLAA shall pay interest on the amount of the SLAA Subsidiary Loan withdrawn and outstanding from time to time at a rate of 6.9% per annum;
  - (B) the principal of the SLAA Subsidiary Loan shall be repaid in 20 years (including 5 years of grace); and
  - (C) the SLAA Subsidiary Loan repayable by SLAA shall be the equivalent in the value of the currency or currencies withdrawn from the Credit Account under Categories (1) (c), (2) (c) and (3) (d) in the said Schedule 1; such equivalent to be determined as of the date or respective dates of repayment; and
- (iii) make available to SLRA, as a grant, under a subsidiary financing agreement to be entered into between the Borrower and SLRA, under terms and conditions which shall have been approved by the Association the amounts allocated from time to time to Categories (1) (a), (2) (b) and (3) (b) in the said Schedule.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreements and the Subsidiary Financing Agreement 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, the Subsidiary Financing Agreement 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 5 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (i) Parts A (2) (b), B (1), C (1), (C) (2) and (C) (5) of the Project shall be carried out by SLRA pursuant to Section 2.03 of the SLRA Project Agreement; (ii) Part C (3) of the Project shall be carried out by SLPA pursuant to Section 2.03 of the SLPA Project Agreement; and (iii) Part C (4) of the Project shall be carried out by SLAA pursuant to Section 2.03 of the SLAA Project Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower 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 Borrower and the Association, a plan for the future operation of the Project; and

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

#### 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 and 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 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 six months after the end of each such year, a certified copy of the report of such audit by said auditors (including the auditors' management letter), 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 expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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 with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### 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) a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) SLRA shall have failed to perform any of its obligations under the SLRA Project Agreement;

(c) SLPA shall have failed to perform any of its obligations under the SLPA Project Agreement;

(d) SLAA shall have failed to perform any of its obligations under the SLAA Project Agreement;

(e) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SLRA, SLPA or SLAA will be able to perform its obligations under the SLRA Project Agreement, the SLPA Project Agreement or the SLAA Project Agreement, as the case may be;

(f) any of the Acts shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SLRA, SLPA or SLAA to perform any of its obligations under the Project Agreements; and

(g) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SLRA, SLPA or SLAA.

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

(i) any of the events specified in paragraphs (f), (c) and (d) 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

(ii) any of the events specified in paragraphs (f) and (g) 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 the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreements have respectively been executed on behalf of the Borrower, SLPA and SLAA;

(b) the Subsidiary Financing Agreement has been executed on behalf of the Borrower and SLRA;

(c) the SLRA Project Account has been established and the initial amount of Le 100 million has been paid into the SLRA Project Account in accordance with paragraph 5 of Schedule 4 to this Agreement;

(d) the Borrower has enacted legislation to establish the Road Transport Authority referred to in Part A (2) (a) of the Project;

(e) the Borrower has raised the fuel levy to \$0.08 equivalent per liter;

(f) the Borrower has installed, and made operational, a Project accounting system for CMU and MTCE satisfactory to the Association; and

(g) the Borrower has prepared and furnished to the Association





REPUBLIC OF SIERRA LEONE

By /s/ Thomas K. Kargbo  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
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
(1) Civil Works:		
(a) SLRA	8,660,000	100% of foreign expenditures and 90% of local expenditures
(b) SLPA	4,510,000	80%
(c) SLAA	970,000	80%
(2) Equipment, vehicles and materials:		100% of foreign expenditures and 90% of local expenditures
(a) MTCE	350,000	
(b) SLRA	2,770,000	
(c) SLAA	420,000	
(3) Consultants' services and Technical Assistance:		100%
(a) MTCE	910,000	
(b) SLRA	1,740,000	
(c) SLPA	420,000	
(d) SLAA	140,000	
(4) Refunding of Project Preparation Advance	1,190,000	Amount due pursuant to Section 2.02 (c) of this Agreement

(5) Unallocated	2,220,000
	<hr/>
TOTAL	24,300,000
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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 Category (1) (b) in paragraph 1 above until SLPA has (i) carried out to the satisfaction of the Association its New Management Plan; and (ii) furnished to the Association a duly executed copy of the Ferry Services Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (i) goods not exceeding \$50,000 equivalent; (ii) services of (A) consulting firms not exceeding \$100,000 equivalent, and (B) individual consultants not exceeding \$10,000 equivalent; and (iii) works not exceeding \$200,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) the carrying out of its transport sector policy and strategy; (ii) the development of its program for strengthening and reforming its transport sector institutions; (iii) the generation of employment in the transport sector through the increased use of labor-intensive road maintenance methods; (iv) enhancing planning and coordination in the transport sector; (v) the maintenance of its road network through private small and medium-size enterprises; (vi) strengthening road transport management capabilities and alleviating urban traffic congestion, (vii) preserving existing port capacity, reducing operating costs and promoting coastal and river transport; and (viii) preserving investments and enhancing air traffic safety at Lungi International Airport.

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: Capacity Building

(1) Strengthening CMU's capacity to support and monitor the carrying out of the Project including the acquisition of necessary equipment, the carrying out of studies to determine the most efficient methods of strengthening CMU's capabilities and the provision of necessary technical assistance.

(2) (a) Establishment and development of a Road Transport Authority in a form and with functions satisfactory to the Association which will be responsible for road transport regulation, vehicle registration and licensing, and vehicle examination functions.

(b) The construction and establishment of office facilities for RTA; and acquisition of equipment for RTA and provision, on a short

term basis, of technical assistance and training for RTA and its staff.

(3) (a) Development of the capacity of small and medium-size road contractors to execute road works and maintenance on a contract basis.

(b) Acquisition by SLRA's Equipment Department of road maintenance and construction equipment for hire or leasing to small and medium-size road contractors.

Part B: Parastatal Restructuring

(1) (a) Improving the organizational structure of SLRA through: (i) the establishment of a Finance Department in SLRA; and (ii) the conversion of SLRA's Equipment Department into a semi-autonomous plant pool which shall operate on a sound commercial basis and hire or lease equipment at commercial rates.

(b) The carrying out by SLRA of a study for the implementation of the second phase of the restructuring of SLRA's Equipment Department and the implementation of the said second phase.

(2) The carrying out by MTCE, with the assistance of consultants to be employed in accordance with Section II of Schedule 5 to this Agreement, of a study for the restructuring of SLPA into a company to perform core duties of a public port authority, including a management and financial review of SLPA; and the implementation of the recommendations of the said study.

(3) Development and implementation by MTCE of action plans for the privatization of the Sierra Leone Road Transport Corporation, the Sierra National Airlines and the Sierra Leone National Shipping Company.

Part C: Transport Sector Investments

(1) The carrying out of the following works: (i) overlaying of the 15 km Tagrin-Lungi Airport Road; (ii) reshaping and regravelling works on the 62 km Lungi-Port Loko Road; (iii) 312 km of works under the 1997 calendar year program for reshaping and regravelling of Gravel Main Roads, and 68 km of works under the 1998 calendar year program; (iv) spot improvements on 550 km of designated feeder roads in the Western part of Sierra Leone; (v) drainage and pavement repairs on 20 km of designated streets in the upcountry towns of Bo, Makeni, Kenema, Port Loko and Moyamba; and (vi) design and supervision of the said works.

(2) The carrying out of works to improve traffic management in Freetown, and design and supervision of the said traffic management works.

(3) The carrying out of Freetown Port rehabilitation works including: (i) quay rehabilitation, improvement and pavement of container stacking area; (ii) repair of the Clinetown Slipway; and (iii) supervision of the said rehabilitation and repair works.

(4) The carrying out of airport rehabilitation by SLAA including: (i) runway repair and lighting; (ii) fencing of the airport; (iii) acquisition of foam tender; (iv) acquisition of a small sea rescue craft; (v) terminal improvement works; and (vi) design and supervision of the said rehabilitation and repair works.

(5) The carrying out of coastal and river transport rehabilitation works including: (i) rehabilitation and/or provision of coastal and river transport landing and storage facilities; and (ii) design and supervision of the said works.

\* \* \*

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means with respect to: (i) the MTCE Special Account, Categories (1) (b), (1) (c), (2) (a), (2) (c), (3) (a), (3) (c) and (3) (d) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) the SLRA Special Account, Categories (1) (a), (2) (b) and (3) (b) in the said Schedule;

(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 Special Accounts pursuant to paragraph 3 (a) of this Schedule equivalent in the case of: (i) the MTCE Special Account to \$600,000; and (ii) the SLRA Special Account to \$1,000,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$300,000 for the MTCE Special Account and \$500,000 for the SLRA Special Account until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed \$10,000,000 equivalent.

2. Payments out of a 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 a 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 a 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 expendi-

tures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a 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;

(b) if the Borrower 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 Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the total amount of all 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 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 a 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 a 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.

#### SCHEDULE 4

#### Implementation Program

1. (a) The Borrower shall jointly with SLRA, SLPA and SLAA no later than December 1, 1996 convene a Project Launch Workshop for all entities, persons or parties involved in, or assisting with, the carrying out of the Project.

(b) The Borrower shall carry out, or cause to be carried out, Parts A (1), A (2), B (3) and C (5) of the Project in accordance with the guidelines and procedures set out in the Project Implementation Manual.

(c) The Borrower shall not amend, abrogate or waive any provision of the Implementation Manual if such amendment, abrogation or waiver may materially and adversely affect the carrying out of the Project; and the Borrower shall afford the Association a reasonable opportunity to comment on any proposed amendment, abrogation or waiver to the Project Implementation Manual before it is made.

2. The Borrower shall cause to be deposited into the Road Fund all road user fees and charges collected under the SLRA Act.

3. The Borrower shall: (i) continue to maintain in MTCE a Coordination and Monitoring Unit in a form and with staffing and functions satisfactory to the Association; (ii) employ, for a period of three years, in accordance with the provisions of Section II of Schedule 5 to this Agreement, consultants to assist in strengthening and sustaining CMU's coordination and monitoring capabilities; and (iii) prepare proposals designed for strengthening and sustaining CMU's management, operations and organization for discussion and approval by participants at the mid-term review referred to in paragraph 6 (b) of this Schedule.

4. The Borrower shall conclude an agreement with SLPA, satisfactory to the Association, for the management and operation by SLPA of ferry services on behalf of the Borrower. The said agreement shall, among other things, set out, and clearly define, the respective obligations and rights of the Borrower and SLPA with respect to the management and operation of the said ferry services.

5. The Borrower shall: (i) open at a commercial bank, and thereafter maintain until completion of the Project, in the name of SLRA a project account for Parts A. (2) (b), A (3), C (1), C (2) and C (5) of the Project into which shall be paid the Borrower's counterpart contributions for the said Part of the Project; (ii) pay into the SLRA Project Account an initial deposit of Le 100 million; and (iii) thereafter pay quarterly in advance such other amounts as shall be specified in a counterpart funding schedule, satisfactory to the Association, prepared by the Borrower and SLRA. Payments into and out of the SLRA Project Account shall be made exclusively for expenditures to be made under the said Parts of the Project.

6. (a) The Borrower shall: (i) no later than December 1 each year hold a meeting jointly with SLRA, SLPA and SLAA together with donors, and representatives of user groups, concerned with the Project (which the Borrower shall invite to participate in the meeting) to: (A) review progress made in carrying out the Project; and (B) review and comment on the investments and recurrent expenditures proposed by SLRA, SLPA and SLAA for the carrying out of the Project in the year immediately following the year of such review; and (ii) prepare a status report on its transport sector investment and maintenance program and the Policy Letter and present the said report to the donors and said representatives.

(b) The Borrower shall no later than December 1, 1998 carry out jointly with SLRA, SLPA and SLAA a mid-term review of the Project, which shall, among other things, assess:

(i) the progress made in carrying out the various components of the Project, including compliance with financial, audit and other covenants relating to the Project;

(ii) the performance of consultants, including the con-

sultants assisting CMU under the Project;

- (iii) the efficacy of Project monitoring indicators agreed with the Association in determining progress in carrying out the Project;
- (iv) the common arrangements for implementation, monitoring and accounting for all donor assisted projects which MTCE shall develop; and
- (v) any corrective measures that need to be taken including changes, if any, in the scope and content of the Project.

(c) the Borrower shall prior to the annual review meeting referred to in paragraph 6 (a) of this Schedule and in any case no later than December 1 each year prepare and furnish to the Association a report satisfactory to the Association on the status of its transport sector investment program and the Policy Letter.

#### SCHEDULE 5

##### Procurement and Consultants' Services

###### Section I: Procurement of Goods and Works

###### Part A: General

Goods and works shall be procured in accordance with 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 1996 (the Guidelines), and the following provisions of this Section, as applicable.

###### Part B: International Competitive Bidding

1. 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.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

###### (a) Grouping of contracts

To the extent practicable, contracts for: (i) goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each; and (ii) works shall be grouped in bid packages estimated to cost \$1,000,000 equivalent or more each.

###### (b) Preshipment Price Inspection

Goods shall be exempted from preshipment price inspection by a third party inspection firm.

###### (c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

(a) Works estimated to cost \$1,000,000 equivalent or less per contract, up to an aggregate amount not to exceed \$11,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.



(b) Goods estimated to cost \$200,000 equivalent or less per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

## 2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed 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.

### 2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more and each contracts for works estimated to cost the equivalent of \$200,000 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$10,000 equivalent each. However said exceptions to prior Association review shall not apply to (i) the terms of reference for such contracts, (ii) single-source selection of consulting firms, (iii) assignments of a critical nature, as reasonably determined by the Association, (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$10,000 equivalent or above.



