

CONFORMED COPY

CREDIT NUMBER 2020 GUB

Development Credit Agreement
(Social and Infrastructure Relief Project)

between

REPUBLIC OF GUINEA BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 29, 1989

CREDIT NUMBER 2020 GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 29, 1989, between REPUBLIC OF GUINEA BISSAU (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; and

(B) the Borrower intends to contract from other donor institutions (Cofinanciers) other financial contributions to assist in financing the Project on the terms and conditions set forth in the Agreements (Financing Agreements) to be entered into between the Borrower and the Cofinanciers.

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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms

have the following meanings:

- (a) "BNGB" means Banco Nacional da Guine-Bissau, the Central Bank of the Borrower;
- (b) "ME" means the Ministry of Education of the Borrower;
- (c) "MINSAP" means the Ministry of Public Health of the Borrower;
- (d) "MFPT" means the Ministry of Public Function and Labor of the Borrower;
- (e) "MP" means the Ministry of Planning of the Borrower;
- (f) "MU" means the Management Unit (Unidade de Gestao) established within MP in accordance with Despacho No. 1/88 of the Borrower, dated December 6, 1988, as set forth in Section 3.02 (a) of, and in paragraph 1 of Schedule 5 to this Agreement;
- (g) "MES" means the Ministry of Social Infrastructure of the Borrower;
- (h) "TO" means the Technical Office (Gabinete Tecnico) established within MES in accordance with Despacho No. 1/88 of the Borrower, dated November 28, 1988, as set forth in Section 3.02 (b) of, and in paragraph 2 of Schedule 5 to this Agreement;
- (i) "Bidding Committee" means the committee (Comissao de Concursos) established by Despacho No. 18/89 of the Borrower, dated February 16, 1989, as set forth in Section 3.02 (c) of, and in paragraph 3 of Schedule 5 to this Agreement;
- (j) "Reorientation Unit" means the unit (Celula de Reconversao) established within MFPT in accordance with Despacho Ministerial No. 1/89 of the Borrower, dated February 17, 1989, to manage and coordinate the reallocation of laid-off civil servants under the adjustment program of the Borrower;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (l) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated May 18, 1988 and June 7, 1988, and November 28, 1988, and April 3, 1989 between the Borrower and the Association;
- (m) "Pesos" means the Borrower's currency unit; and
- (n) "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 three million eight hundred fifty thousand Special Drawing Rights (SDR 3,850,000).

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 account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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, 1993, 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; (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 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 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 June 15 and December 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 June 15 and December 15 commencing June 15, 1999, and ending December 15, 2029. Each installment to and including the installment payable on June 15, 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, health, educational and managerial 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 carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement:

- (i) Parts A and B of the Project through MES;
- (ii) Part C of the Project through ME;
- (iii) Part D of the Project through MINSAP;
- (iv) Part E of the Project through MFPT; and
- (v) Part F of the Project through MP.

Section 3.02. The Borrower shall continue to maintain: (a) MU within MP; (b) TO within MES; and (c) the Bidding Committee, as provided for in Schedule 5 to this Agreement and in a form, with functions, staffing and office space satisfactory to the Association.

Section 3.03. The Borrower shall, not later than September 30, 1990, and, not later than September 30, of each year thereafter, conduct with the Association and other Cofinanciers, annual Project implementation reviews to:

- (a) monitor technical and financial progress in achieving Project objectives;
- (b) update Project implementation timetables and cost estimates;
- (c) evaluate Project impact including the results of the studies referred to in Part F of the Project; and
- (d) exchange information among staff responsible for Project implementation and propose solutions to any current problems.

Section 3.04. The Borrower shall:

(a) not later than June 30, 1990, carry out and complete, under terms of reference agreed with the Association: (i) the survey referred to in Part B.2 of the Project; and (ii) the studies and survey referred to in Part F of the Project;

(b) not later than September 30, 1990: (i) review with the Association the recommendations of the surveys and studies referred to in paragraph (a) of this Section; and (ii) agree with the Association on an action plan to implement the recommendations of the survey referred to in Part B.2 of the Project including the resettlement plan, if necessary, and the measures to recover the cost of land to be legally attributed to eligible beneficiaries of serviced plots under Part B.1 of the Project; and

(c) promptly thereafter, carry out said action plan according to a timetable agreed with the Association.

Section 3.05. 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 3.06. The Borrower shall:

- (a) open an account in Pesos, in a domestic bank in the name of MP/MU for the Borrower's financial contribution to the Project; and
- (b) during execution of the Project make such deposits into such account in such amounts as needed to finance the Borrower's contribution to implement 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 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 expenditure, 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 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) The Legislation establishing MU, TO, Bidding Committee, and Reorientation Unit shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

(b) The Financing Agreements shall have failed to become effective provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or loan 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 of the Financing Agreements providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph 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.

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 (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any of the events specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

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) MU's Project Coordinator, Accountant and Procurement Specialist have been employed, as set forth in paragraph 1 (a) (i) of Schedule 5 to this Agreement;

(b) consultants' services, satisfactory to the Association have been employed in accordance with Section II of Schedule 3 to this Agreement, to staff the TO, with the following experts: (i) Contract Specialist; (ii) Supervision Engineer; and (iii) Accountant, as set forth in paragraph 2 of Schedule 5 to this Agreement; and

(c) the Borrower has deposited into the account opened as set forth in Section 3.06 of this Agreement, an aggregate amount of not less than the equivalent of fifty thousand dollars (\$50,000).

Section 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance 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:

Ministerio das Financas
C.P. 67
Bissau, Guine-Bissau

Cable address:

MEF

Telex:

257 MEF BI

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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.

REPUBLIC OF GUINEA-BISSAU

By /s/ Alfredo Lopes Cabral

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 | 380,000 | 100% of foreign expenditures and 95% of local expenditures |
| (2) | Vehicles, equipment, materials, and supplies | 150,000 | 100% |
| (3) | Consultants' services, training, studies, surveys and audits | 1,850,000 | 100% |
| (4) | Operating costs of: | 150,000 | 100% |
| | (a) MU; | | |
| | (b) TO; and | | |
| | (c) Reorientation Unit | | |
| (5) | Refunding of Project Preparation Advance | 1,050,000 | Amount due pursuant to Section 2.02 (c) of this Agreement |
| (6) | Unallocated | 270,000 | |
| | TOTAL | 3,850,000 | |

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;

(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; and

(c) the term "operating costs" means Project management costs, including:

- (i) costs of operating and maintaining vehicles, equipment and buildings required for the Project;
- (ii) office running expenses including rental fees, cost of stationary and supplies and materials; and
- (iii) such other Project related costs as the Borrower and the Association may from time to time determine.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to rehabilitate and maintain essential urban and social infrastructure and improve overall sanitary conditions in urban areas; (b) to relieve the acute shortage of urban housing through the provision of serviced plots; (c) to increase the efficiency of delivery of educational and health services; (d) to facilitate the placing of laid-off civil servants and other unemployed persons; and (a) to assist in mitigating some of the social costs of adjustment.

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: Social infrastructure rehabilitation and maintenance

1. Infrastructure Rehabilitation and Construction: carrying out, in the City of Bissau and other priority cities, the following works:

(a) clearing existing and construction of new earth and concrete drainage works;

(b) street improvements, including repair of pavements, sidewalks, culverts and construction of neighborhood access roads;

(c) repair and minor extension of water supply systems; and

(d) sanitation programs, including repair of sewerage systems.

2. Rehabilitation of Community Facilities: carrying out, in the City of Bissau, other cities and rural areas, maintenance and repair works of:

(a) about eleven secondary schools;

(b) about sixty primary schools;

(c) food-handling facilities in the three pre-primary schools implementing the school food program;

(d) about six health facilities; and

(e) markets and other priority facilities of social and economic importance.

Part B: Sites and Services

1. Provision of about seven hundred serviced plots located in the City of Bissau (neighborhood of Antula), with basic road, drainage, water supply and electrical power services.

2. Carrying out a survey to:

(a) ascertain the number of persons currently living in the sites to be developed;

(b) evaluate whether any of the occupants of the sites need to be resettled, in order to vacate said sites; and

(c) recommend the social, legal, institutional and financial aspects necessary to design and implement a resettlement plan if necessary; and

(d) recommend measures to recover the cost of land where the housing units will be built.

Part C: Education

1. Acquisition of basic school equipment, classroom furniture and teaching aids.

2. Provision of food-handling equipment and utensils for the three pre-primary schools implementing the school food program.

Part D: Health

1. Supplemental essential drug supply scheme:

(a) acquisition of drugs, medicines, medical supplies, training supplies and vehicles; and

(b) design and implementation of a training program for MINSAP's health staff in handling and operating a supplemental essential drugs program.

2. Strengthening of the AIDS-control program:

(a) acquisition of drugs to combat AIDS-related diseases; and

(b) acquisition of a vehicle, equipment and supplies for the National Hospital Blood Donor Bank.

3. Equipping of Health Facilities: acquisition of supplies, equipment and furniture for the health facilities to be rehabilitated under the Project.

Part E: Strengthening of the Reorientation Unit

1. Establishment and operation of a data-bank on the supply and demand of employment for laid-off civil servants and unemployed persons, with special emphasis on the women and the youth.

2. Design and implementation of an information dissemination campaign and a training program for laid-off civil servants.

3. Acquisition of basic equipment to assist the trainees in starting microbusinesses.

Part F: Social Dimensions of Adjustment

1. Carrying out socioeconomic studies on:

(a) definition of social policy mechanisms;

(b) household living conditions in the City of Bissau;

(c) social assessment of the Borrower's investment program;

(d) assessment of the informal sector;

(e) assessment of the food security situation;

(f) women's entrepreneurial activities; and

(g) assessment of the reorientation program for laid-off civil servants, including: (i) their employment characteristics; and (ii) the extent to which the employment opportunities generated under the Project meet their employment needs.

2. Conducting a standard household living survey in the City of Bissau.

Part G: Institutional Development

Strengthening the Borrower's capabilities for Project implementation.

1. MP: (a) acquisition of vehicles, establishment, equipping and furnishing of MU; (b) strengthening of MU's managerial capabilities to coordinate Project implementation; and (c) assistance to undertake studies on the social dimensions of adjustment.

2. MES: (a) acquisition of vehicles, establishment, equipping and furnishing of TO; and (b) strengthening of TO's managerial capabilities to manage and supervise infrastructure works financed under the Project;

3. MFPT: (a) equipping and (b) strengthening of the Reorientation Unit to build-up a data-bank, develop an information dissemination campaign and carry out a training program for laid-off civil servants.

4. MINSAP: strengthening of MINSAP's capabilities to implement the supplemental essential drugs program.

* * * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D 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 Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Guinea-Bissau may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: 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 D: Other Procurement Procedures

1. Local competitive bidding:

Works estimated to cost the equivalent of \$100,000 or more up to an aggregate amount of \$400,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. International or Local Shopping:

(a) Works estimated to cost the equivalent of \$50,000, up to an amount not to exceed the equivalent of \$100,000 per contract, up to an aggregate amount of \$300,000; and

(b) Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, 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.

3. Direct Contracting:

Works estimated to cost the equivalent of up to \$50,000 per contract, up to an aggregate amount of \$300,000, may be awarded on the basis of direct contracting in accordance with procedures acceptable to the Association.

Part E: 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 \$100,000 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 4 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 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 engineering and other consultants and qualified local counterpart staff 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 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 \$600,000 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 made 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 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 the 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 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 paragraphs 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.

Implementation Program

1. Management Unit (MU)

(a) MP shall be responsible for overall Project implementation and shall ensure the coordination of all operational and financial aspects of the Project through MU, established within the MP.

(b) MU shall be responsible, inter alia, for the following:

- (i) monitoring procurement procedures;
- (ii) monitoring disbursements of all Credit funds;
- (iii) coordinating and monitoring the performance of consultants employed under the Project;
- (iv) establishing and managing the Special Account;
- (v) monitoring overall progress in Project implementation; and
- (vi) preparing quarterly progress reports;

(c) MU shall be headed by a Project Coordinator and a National Director, both full-time, with qualifications and managerial experience acceptable to the Association. The MU's Project Coordinator and National Director shall report directly to the Minister of Planning.

(d) The Project Coordinator and National Director shall be jointly responsible, inter alia, for the following:

- (i) coordinate the following activities: collecting information and statistics, designing institutional set-up including distribution arrangement for individual components, establishing import/contract/monitoring/ auditing/reporting mechanisms; and consultants' services;
- (ii) liaise among the Association, Government agencies and the donor community;
- (iii) liaise with the designated representatives of the other ministries responsible for Project implementation;
- (iv) brief implementing agencies on eligibility criteria for Project components and procurement procedures under the Project;
- (v) supervise procurement procedures including preparation of tender documents, primarily in collaboration with the TO and the Bidding Committee;
- (vi) assist the qualified importers under the Project in obtaining import licenses, establishing letters of credit and clearing imports through customs;
- (vii) ensure expedient and efficient distribution and utilization of imported goods according to the Project objectives;
- (viii) liaise with the MES and the TO to ensure timely and effective conclusion and implementation of civil works contracts;
- (ix) supervise and assist the Accountant in preparing withdrawal applications to the Association;
- (x) advise and assist all implementing agencies in ensuring the best possible accountability for disbursements of Credit funds;
- (xi) assist all implementing agencies to prepare and submit regular progress reports, audit reports and other reports required under the Project;

(xii) maintain consolidated accounts for the entire Project and detailed accounts for all components; and

(xiii) manage the Special Account and the Project local account.

(e) MU shall be staffed, in addition to its Project Coordinator and National Director, with the following:

(i) Experts.

- Accountant, who shall be responsible, inter alia for: keeping financial accounts for all Project components, managing the local Project account, preparing withdrawal credit applications for signature of the authorized representatives of MP, Ministry of Finance and BNGB and reconciling Special Account bank statements in accordance with the Association disbursement instructions; liaising with the designated Department in the Ministry of Finance; approving payment on bills, preparing expenditure accounts, quarterly reports, annual financial plans and submission of accounts for audit. The Accountant shall also provide other necessary financial assistance to the Project Coordinator and National Director.

- Procurement Specialist, who shall be responsible, inter alia for: preparing all bidding documents including tendering and contractual arrangements; packaging contracts and supervising all relevant procurement procedures for Project implementation; order planning and coordinating reception, and delivery of all items to be procured under the Project with the responsible implementing agencies included in the quarterly progress reports a price list for all materials and construction equipment utilized under the Project; and

(ii) Local technical and support staff:

2. Technical Office (TO)

(a) MES shall be responsible for the overall coordination of all infrastructure and site development works through its Directorates of Roads and Bridges and Housing and Urban Affairs.

(b) TO, established within MES, shall be responsible in collaboration with the MU and other agencies responsible for Project implementation, for the management of the works to be carried out under Parts A and B of the Project.

(c) TO shall be responsible, inter alia, for the following:

(i) coordinating all implementation aspects with central and local government agencies;

(ii) preparing and supervising bidding and contract management;

(iii) preparing quarterly progress reports for the infrastructure works and the site development components;

(iv) carrying out the survey described under Part B.2 of the Project; and

(v) assisting MES in the preparation, appraisal, implementation and review of other investment projects in the infrastructure sector.

(d) TO shall be staffed, inter alia, with the following:

(i) Experts:

- Supervision Engineer, who shall be responsible inter alia for: managing and coordinating all units and supervising all civil works, in close collaboration with the local

counterpart and ensuring the coordination of all administrative aspects related to Project implementation, including staff management, transport and logistics;

- Contract Specialist, who shall be responsible, inter alia for: carrying out engineering designs and topographical surveys to be carried out by selected contractors, preparing bidding documents, carrying out all tender procedures, assisting the local engineers in discharging their responsibilities under the project, and providing advice and technical support to the local enterprises to strengthen their capabilities for programming and monitoring civil works;
- Accountant, who shall be responsible, inter alia for carrying out all accounting procedures for TO, organizing, ensuring and overseeing all accounting aspects related to engineering certificates and other procedures to monitor public works supervised by TO and providing advice and technical support to the local enterprises to strengthen their capabilities for programming and monitoring civil works; and

(ii) Local technical and support staff.

3. Bidding Committee

(a) The Bidding Committee established within MES, shall be responsible for the review and evaluation of procurement procedures to contract civil works under Parts A and B of the Project. In discharging its responsibilities, the Bidding Committee shall be assisted by the TO.

(b) The Bidding Committee shall be staffed as follows:

- (i) one representative of the Presidency of the Council of State;
- (ii) two representatives of MES, including the Chairman of the Bidding Committee;
- (iii) one representative of MP; and
- (iv) one representative of the central and local government agency concerned, including, inter alia:
 - central government: ME, MINSAP, or Resident Minister; and
 - local government: Bissau Municipality or State Committee.

