

CONFORMED COPY

CREDIT NUMBER 2624 MAI

Development Credit Agreement

(Second Institutional Development Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 8, 1994

CREDIT NUMBER 2624 MAI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 8, 1994, between REPUBLIC OF MALAWI (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 dated May 3, 1994, from the Borrower describing, inter alia, a program of actions, objectives and policies designed to achieve civil service reform and institutional strengthening (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) Part E of the Project will be carried out by Malawi Institute of Management (MIM) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to MIM a portion of the proceeds of the Credit as provided in this Agreement; and

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

date herewith between the Association and MIM;

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) "MOF" means the Borrower's Ministry of Finance;
- (b) "OPC" means the Borrower's Office of the President and Cabinet;
- (c) "DPMT" means the Department of Personnel Management and Training within OPC;
- (d) "DSB" means the Department of Statutory Bodies within OPC;
- (e) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 14, 1992, October 26, 1992, April 29, 1994 and September 6, 1994 between the Borrower and the Association;
- (f) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement;
- (g) "MIM Act" means the Malawi Institute of Management Act, Cap 30:07 of the laws of Malawi;
- (h) "MIM" means Malawi Institute of Management, established under the MIM Act; and
- (i) "Project Agreement" means the agreement between the Association and Malawi Institute of Management (MIM), of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

#### ARTICLE II

##### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixteen million Special Drawing Rights (SDR 16,000,000).

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

(b) The Borrower shall, (i) for the purposes of Parts A, B, C and D of the Project, open and maintain in Dollars a special deposit account (Special Account "A") and (ii) for the purposes of Part E of the Project, open and maintain in Dollars a special deposit account (Special Account "B") in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid

charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 2000, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2004 and ending June 1, 2034. Each installment to and including the installment payable on June 1, 2014 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.

## 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:

- (i) shall carry out Parts A, B, C and D of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause MIM to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable MIM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 Parts A,B,C and D of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make available as a grant a portion of the proceeds of the Credit to MIM.

Section 3.02. Except as the Association shall otherwise agree, procurement of the works, goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 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 Part E of the Project shall be carried out by MIM pursuant to Section 2.03 of the Project Agreement.

Section 3.04. (a) The Borrower shall conduct, not later than December 31, 1996, jointly with the Association, a mid-term review of the Project. Without limitation upon the generality of the foregoing, the review shall, inter alia, cover overall Project performance against established key performance indicators, evaluation of Project achievements and problems, an assessment of Project sustainability and evaluation of consultants' performance.

(b) Not later than ninety (90) days prior to the mid-term review referred to in (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in implementing the Project.

(c) The Borrower shall, promptly thereafter, carry out the recommendations stemming from the aforementioned review.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A, B, C and D 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 Special Account "A" for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account "A" 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) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- (b) MIM shall have failed to perform any of its obligations under the Project Agreement.
- (c) 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 MIM will be able to perform its obligations under the Project Agreement.
- (d) The MIM Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MIM to perform any of its obligations under the Project Agreement.
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of MIM or for the suspension of its operations.

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

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

(b) any event specified in paragraph (d) 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 Borrower has furnished to the Association evidence of promulgation of the Public Service Act.

(b) The Borrower has appointed: (i) an independent auditor satisfactory to the Association; (ii) the head, a chief technical officer and an accountant for its Census Executing Unit; and (iii) Project Coordinators for Parts B, C and D of the Project.

(c) The Borrower and MIM have furnished to the Association a model Consultancy Contract and a sample letter of invitation, acceptable to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association namely, that the Project Agreement has been duly authorized or ratified by MIM, and is legally binding upon MIM in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of 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:

Ministry of Finance  
P.O. Box 30049  
Lilongwe, 3  
Malawi

Cable address:	Telex:
FINANCE Lilongwe	44407

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT)

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 MALAWI

By /s/ N. M. Mwaungulu  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works for Part E of the Project	430,000	90%
(2) Equipment, vehicles, books and furniture:		100% of foreign expenditures and 90% of local expenditures
(a) for Part E of the Project	640,000	
(b) for the other Parts of the Project	2,550,000	
(3) Consultants' services:		100%
(a) for Part E of the Project	725,000	
(b) for the other Parts of the Project	3,400,000	
(4) Training:		100%
(a) for Part B of the Project	800,000	

(b) for Part E of the Project	1,000,000	
(c) for the other Parts of the Project	2,410,000	
(5) Incremental operating costs:		100% of foreign expenditures and 70% of local expenditures
(a) for Part E of the Project	500,000	
(b) for the other Parts of the Project	1,280,000	
(6) Refunding of Project Preparation Advance	725,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,540,000	
TOTAL	16,000,000	=====

2. For the purposes of this Schedule:

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

(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 "incremental operating costs" means incremental recurrent expenditures incurred by (i) MIM for (A) office supplies and communication services, (B) rent of staff houses and educational premises, (C) training accommodation and per diem allowances, and (D) insurance fees (E) vehicle, equipment and computer operating and maintenance costs, (G) equipment rental, (H) publication and advertising costs, (I) postal charges, and (J) heating, lighting and cleaning materials costs for building maintenance; (ii) Project implementing units other than MIM for (A) vehicle, equipment and computer operating and maintenance costs, (B) travel costs and allowances, (C) production and printing costs, (D) office supplies and communications services and (E) insurance fees; and (iii) PSMIU for salaries of professional and support staff and rent of staff houses.

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; and (b) Category (4) (a) until (i) the Manpower Planning and the Training divisions of DPMT have been merged into one division, and (ii) the Borrower has established, on a pilot basis, human resources management units in MOF and the Ministries of Agriculture, Education, Works and Health; and (c) Categories (1), (2) (a), (3) (a), (4) (b) and (5) (a) until MIM has appointed a duly qualified accountant who shall be responsible for financial management in the implementation of Part E of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for (a) expenditures under contracts for goods, works and consultants' services, provided by firms, not exceeding \$100,000 equivalent, and (b) expenditures under contracts for consultants' services, provided by individuals, not exceeding \$50,000 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: (i) address specific systemic management issues that now constitute bottlenecks to improved efficiency and effectiveness in the civil service; (ii) assist the Department of Statutory Bodies to better manage the interface between the parastatal sector and the ministries and departments; and (iii) strengthen the Malawi Institute of Management.

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: Civil Service Policy and Information Framework

1. Reform of the policy and legislative framework of the civil service including the enactment of Public Service legislation.
2. Carrying out of a civil service census.
3. Design and implementation of a computerized personnel information system.
4. Design, development and implementation of a computerization plan for financial management.
5. Provision of training, including fellowships, long and short-term training, workshops and seminars in information management for officials involved in the implementation of the above activities.
6. Acquisition of computer hardware and software to support the above activities.

Part B: Strengthening the Department of Personal Management and Training

1. Carrying out a review of the institutional arrangements for determining remuneration.
2. Re-designing the pay structure and rationalization of fringe benefits and allowances linked to job evaluation.
3. Preparation of procedure manuals covering functions undertaken by personnel common services staff.
4. Development and launching of an open performance appraisal system.
5. Development and introduction of career paths.
6. Establishment of a Personnel Policy Research Unit in DPMT to develop capacity in personnel planning and in undertaking systematic reviews and improvement of personnel policies.
7. Acquisition of equipment and the provision of training to support above activities.

Part C: Strengthening the Ministry of Finance

1. Installation and implementation of forward budgeting.
2. Carrying out a strategic review of the budget and financial management information needs of the Borrower, as well as a review of the program budgeting experiences.
3. Development of up-to-date recurrent cost coefficients.
4. Strengthening MOF's tax policy analysis unit.
5. Designing and implementation of a new public accounting system.
6. Enhancement of skills in budgeting and accounting.
7. Provision of training and acquisition of computer hardware and software to support above activities.

Part D: Strengthening the Department of Statutory Bodies

1. Clarification of DSB's task and functions and its relationship with other supervisory agencies of the Borrower.
2. Promotion of improved financial and economic performance of parastatal organizations.
3. Development of a policy for privatization.
4. Enhancement of staff skills.
5. Acquisition of vehicles and computers.

Part E: Strengthening of the Malawi Institute of Management

1. Strengthening MIM's capacity in training and consultancy.
2. Provision of staff training including fellowships.
3. Financing fellowships to MIM's courses.
4. Acquisition of library books and audio-visual equipment for MIM Learning Resources Center, and computers and ancillaries to support training activities.
5. Construction of five housing units for management staff.
6. Acquisition of vehicles and equipment to support above activities.

\* \* \*

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

3. Goods to be procured through international competitive bidding shall be exempted from pre-shipment price inspection by a third party.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described

in Part A.1 hereof, goods manufactured in Malawi 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: Other Procurement Procedures

1. (a) Civil works estimated to cost up to an aggregate amount equivalent to \$688,400, and (b) furniture estimated to cost the equivalent of \$23,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Training manuals, journals and periodicals estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$347,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Vehicles estimated to cost up to an aggregate amount equivalent to \$282,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries, eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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

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

(a) With respect to each contract estimated to cost the equivalent of \$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 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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

#### Section II. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

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 individuals estimated to cost less than \$50,000 each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 4

##### Implementation Program

1. The Borrower shall establish an Interministerial Committee on Institutional Development (ICID) which shall be responsible for overall Project coordination, direction and policy guidance and shall be chaired by the Principal Secretary (Administration) in OPC and comprise representatives of the ministries and agencies involved in the implementation of the Project. ICID shall meet quarterly and present progress reports to SPC. The Public Sector Management Improvement Unit (PSMIU) referred to in paragraph 2 below, shall act as the secretariat to ICID.

2. The Borrower shall establish PSMIU in the Office of the President and Cabinet (OPC) reporting to the Secretary to the President and Cabinet (SPC) through the Principal Secretary (Administration). The PSMIU shall comprise: (a) a Project Manager; (b) an Information Technology Coordinator who will provide direction and coordination for the management information systems development and related elements of the Project, (c) an accountant who shall be responsible for all financial management and accounting activities, and (d) a small number of support staff. The Borrower shall ensure that the Project Manager and the Project accountant shall be maintained for the duration of the Project and that their qualifications shall be satisfactory to the Association.

3. The main responsibilities of PSMIU shall be to (a) ensure the successful and timely execution of Project components; (b) establish and administer effective Project execution and management structures and processes; (c) ensure the timely and appropriate procurement of all equipment, technical assistance, training, and related services required for the successful execution of the Project; (d) ensure the timely identification and resolution of Project execution issues and the optimal application of successful improvement measures; (e) evaluate the overall performance of the Project, its individual components and Project elements, providing regular reports to SPC and ICID on Project issues and progress; (f) keep and maintain Project accounts for Parts A through D of the Project; and (g) coordinate the preparation and submission of annual reports and workplans to the Association for all Project components.

4. PSMIU shall be assisted by Project Coordinators whose qualifications shall be satisfactory to the Association, to be designated by MOF, DPMT and DSB. The Coordinators shall work in close liaison with PSMIU and will have primary responsibility for the implementation of their respective components.

5. PSMIU shall: (a) prepare and furnish to the Association, through MOF, not later than ninety days after the end of each year, annual reports in such detail as the Association shall reasonably request, on the progress achieved in the implementation of the Project, and (b) jointly with the Association, conduct an annual review of Project implementation, not later than June 30 after the end of the year under review.

6. The Borrower shall carry out a training program for the Project, satisfactory to the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2) (b), (3) (b), (4) (a) and (c), and (5) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account "A" and Categories (1), (2) (a), (3) (a), (4) (b) and (5) (a), in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account "B".

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works 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 \$200,000 in respect of Special Account "A" and \$100,000 in respect of Special Account "B" to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the

eligible Categories for Part(s) A, B, C and D of the Project, 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 Parts A, B, C and D of 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 for Part(s) A, B, C and D of the Project 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; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to 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.

