

CONFORMED COPY

CREDIT NUMBER 2407 GUI

Agreement Providing for Amendment and
Restatement of Development Credit Agreement

(National Agricultural Export Promotion Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 6, 1992

As Amended and Restated on December 8, 1997

CREDIT NUMBER 2407 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 8, 1997, between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower and the Association have agreed to amend the Development Credit Agreement between the Borrower and the Association, dated August 6, 1992 (the Development Credit Agreement), in the manner hereinafter set forth (Amendment);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The Development Credit Agreement is hereby amended and restated in its entirety so as to read as set forth in the Annex hereto.

Section 1.02. This Agreement is effective as of the date hereabove written.

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

/s/ Mohamed Ali Thiam

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Jean-Louis Sarbib

Regional Vice President
Africa

ANNEX

to Agreement providing
for Amendment and
Restatement of Develop-
ment Credit Agreement
dated August 6, 1992

CREDIT NUMBER 2407 GUI

Development Credit Agreement

(National Agricultural Export Promotion Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 6, 1992

As Amended and Restated on December 8, 1997

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 6, 1992, as amended by Agreement (the Amendment) and Restatement on December 8, 1997 between the Republic of Guinea (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 March 26, 1992, from the Borrower describing a program of actions, objectives and policies designed to develop the Borrower's agricultural export sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower has received from the Fonds d'Aide et de Coopération (FAC) a

grant (the FAC Grant) in an amount equivalent to \$600,000 to assist in financing the project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) dated April 18, 1992, between the Borrower and FAC; and

(D) 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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement.

(a) The last sentence of Section 3.02 is deleted.

(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 Association 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) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated February 21, 1989 and March 6, 1989; June 12, 1990 and July 24, 1990; December 13, 1990 and February 11, 1991; June 6, 1991 and June 25, 1991; and June 6, 1991 and February 11, 1992 between the Borrower and the Association;

(b) "FGPCA" means Fonds de Garantie des Prêts pour la Commercialisation Agricole, a public enterprise established and operating pursuant to Decree No. 94/130 dated November 3, 1994, of the Ministry of the Interior of the Borrower;

(c) "MPSP" means Ministère chargé de la Promotion du Secteur Privé, the Borrower's Ministry responsible for private sector promotion activities;

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

(e) "GF" means Guinean Franc, the currency of the Borrower; and

(f) "Agricultural products or exports" means any product from agriculture, livestock or fisheries activities which is earmarked for export trade.

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 fifteen million two hundred thousand Special Drawing Rights (SDR 15,200,000).

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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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 Advances 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 Advances shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 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 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 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 March 15 and September 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 March 15 and September 15 commencing September 15, 2002, and ending March 15, 2032. Each installment to and including the installment payable on March 15, 2012, 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 under the overall supervision of MPSP, with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, environmental and engineering 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, the Borrower shall: (i) open and thereafter maintain in GF and in the name of the Project (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association; and (ii) thereafter deposit into the Project Account on the first day of every calendar quarter commencing on January 1, 1993, an amount equivalent to budgetary allocations required to cover anticipated expenditures for the Project over that quarter.

(c) Amounts deposited into the Project Account pursuant to paragraph (b) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, procurement of the goods, works and consultants' services 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. For the purposes of carrying out the Project, the Borrower shall:

(a) conclude contractual arrangements with relevant institutions satisfactory to the Association to (i) provide required expert advice (including technical, informational and managerial and training) to agricultural operators and agricultural associations, and (ii) strengthen the performance of small- and medium-scale agricultural enterprises;

(b) conclude with FGPCA an agreement satisfactory to the Association aimed at facilitating access to credit for small- and medium-scale enterprises specializing in agricultural exports;

(c) (i) not later than October 31, 1997, take all measures required on its part to ensure that wharf facilities in Benty and Fandie and all accessories related thereto including any relevant access roads are gazetted and classified into the public domain of the Borrower, and

(ii) conclude with a qualified and experienced private operator acceptable to the Association, contractual arrangements satisfactory to the Association, to operate and maintain the wharf facilities referred to under Part D of the Project;

(d) conclude with relevant services, departments or agencies of the Borrower appropriate administrative arrangements satisfactory to the Association to ensure the proper execution of Parts B.1, B.2, B.4 and D.4 of the Project, including a

contribution in the amount of 15% to be made in kind by rural communities towards the costs of rural roads rehabilitation;

(e) (i) prepare draft annual work programs including training programs and submit them to the Association for review and comments no later than October 31 of each year, and

(ii) thereafter promptly implement said work and training programs; and

(f) (i) carry out a mid-term review with the Association no later than December 31, 1999, to assess the progress achieved in the execution of the Project, and

(ii) promptly implement the recommendations resulting from the mid-term review as they shall have been agreed upon with the Association.

Section 3.04. For the purposes of carrying out Part A.1 of the Project, the Borrower shall take all measures required on its part to grant promptly all land rights and all administrative permits or authorizations required to private operators willing to invest with a view to increasing agricultural production in the Borrower's territory.

Section 3.05. 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 satisfactory 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 designed to ensure the continued achievement of the Project's objectives; 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 or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(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 subparagraph (b)(i) 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) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the FAC Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions namely, that the Project Account referred to in Section 3.01 (b) has been opened and an amount of GF 250,000,000 has been deposited therein.

Section 6.02. 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance 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 Economy and Finance
Boite Postale 579
Conakry, Republic of Guinea

Cable address:

Telex:

22399 MIFIGE

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.

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

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

By /s/ Mohamed Ali Thiam

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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		100% of foreign expenditures and 80% of local expenditures
(a) except for Part D.2 of the Project	1,350,000	
(b) for Part D.2 of the Project	2,400,000	

(2)	Vehicles, goods, and equipment	2,400,000	100%
(3)	Operating costs	1,000,000	67%
(4)	Training and Consulting services	1,800,000	100%
(5)	Refunding of Project Prepara- tion Advance	1,400,000	Amounts due pur- suant to Section 2.02 (c) of this Agreement
(6)	Amounts withdrawn prior to Project restructuring as consolidated through October 31, 1997	4,244,000	
(7)	Unallocated	606,000	
	TOTAL	15,200,000	=====

2. For the purposes of this Schedule, the following terms have the following meaning:

(a) "Operating costs" means expenditures in respect of items such as fuel, lubricants, costs for repair and maintenance of vehicles and office equipment, office supplies, expenses for travel related to the Project and salaries for contractual staff hired for the execution of the Project;

(b) "foreign expenditures" means expenditures made in a currency other than the currency of the Borrower and for goods or services supplied from a territory other than the Borrower's territory; and

(c) "local expenditures" means expenditures made in the currency of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement; and (b) in respect of payments made for expenditures under Category (1) (b) unless the Association has received evidence satisfactory to it that the contractual arrangements referred to in Section 3.03 (c) of this Agreement have been concluded.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures made for: (a) civil works, goods training, and operating cost under contracts not exceeding \$150,000 equivalent each; (b) for consulting firms under contracts not exceeding \$100,000 equivalent each; and (c) for individual consultants' services under contracts not exceeding \$50,000 equivalent each; 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 improve the capability of the Borrower to increase agricultural production for export and to establish an appropriate incentive framework to attract private equity investment in the agricultural export sector.

Part A: Strengthening of Private Sector Institutions dealing with Agricultural Exports

1. Assistance to operators of the agricultural exports sector established in Guinea to build viable partnerships with foreign investors so as to promote an efficient

transfer of technical know-how, financial resources and adequate knowledge conducive to a better access to export markets, inter alia through: (a) streamlining of administrative formalities pertaining to agricultural exports; (b) pre-financing of agricultural exports; and (c) carrying out of a pilot market testing scheme to assess market potential for Guinea's agricultural exports in selected foreign markets.

2. Adequate training of national agriculture investors and operators in subject matters relevant to an efficient operation of their businesses, including, inter alia, how to prepare credit applications and to secure adequate collateral as required by lending institutions. 3. Assistance to professional associations in the agricultural export sector to increase their performance at all levels of their operations.

Part B: Improvement of Productivity for agricultural export products

1. Provision of adequate extension services to farmers through relevant agencies of the Borrower and private nucleus estates to increase agricultural productivity for agricultural export products.

2. Execution of an adaptive research program on pilot plots, aimed at finding practical remedies to agronomic and technological constraints that currently restrain productivity for agricultural export products.

3. Provision of specialized management advice and services tailored to the needs of small- and medium-scale agricultural enterprises.

4. Assistance to increase productivity for small farmers.

Part C: Mobilization of Financial Resources for Agricultural Investments

1. Facilitating increased access to credit for small- and medium-scale agricultural enterprises, through the formulation and execution of a training program to improve the operational capacity of specialized financial institutions in the appraisal and supervision of agriculture related lending operations.

2. Acquisition of packaging materials for agricultural export products.

Part D: Infrastructure Development

1. Construction of agricultural exports storage and handling facilities in Conakry, Forecariah, Mamou, Dabola and Kankan; and acquisition of required handling equipment.

2. Reconstruction and equipping of dilapidated wharf facilities in Benti and Fandié.

3. Carrying out of hydrographic surveys and works to improve the navigability of the Mellancoré River basin.

4. Rehabilitation of about 250 km of access roads in rural areas.

Part E: Project Management

1. Acquisition of logistics support required to ensure adequate execution of the Project.

2. Training of staff responsible for the execution of the Project.

3. Development and implementation of a Project Monitoring and Evaluation system.

* * * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good 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 and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. 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 1 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 works and goods shall be grouped in bid packages estimated to cost the equivalent of: (i) \$250,000 or more each for works; and (ii) \$150,000 or more each for goods.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive

Bidding Civil works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$6,100,000 equivalent and goods estimated to cost less than \$150,000 per contract, up to an aggregate amount not to exceed \$1,700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Civil works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$7,700,000 equivalent and goods estimated to cost less than \$50,000 per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded on the basis of 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 1.

2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of \$250,000 or more and for goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for works estimated to cost the equivalent

of \$100,000 or less and for goods estimated to cost the equivalent of \$50,000 or less, the following procedures shall apply:

(i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for consultants under Part A of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for consultant under Parts B.1, D.1 and D.4 of the Project which are estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for consultants under Parts C and E of the Project tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: Review by the Association of the Selection of Consultants

1. Selection Planning Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 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 the equivalent of SDR 1,000,000. 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 into the Special Account 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) 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; or

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

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

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

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

