

CONFORMED COPY

CREDIT NUMBER 2455 MAU

Development Credit Agreement

(Construction Capacity and Employment Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 17, 1993

CREDIT NUMBER 2455 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 17, 1993, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from other donors, loans or grants in an amount equivalent to \$4,800,000 to assist in financing part of the Project on the terms and conditions set forth in respective agreements to be entered into between the Borrower and those donors; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions 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 Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 3, 1992 and April 6, 1992; and September 23, 1992 and October 3, 1992, respectively, between the Borrower and the Association;

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

(c) "AMEXTIPE" and "Executing Agency" means Agence Mauritanienne d'Execution des Travaux d'Interct Public pour l'Emploi, an entity established pursuant to the minutes of the foundation meeting of December 2, 1992;

(d) "Convention" means the Agreement, to be signed between the Borrower and AMEXTIPE, as the same may be amended from time to time; and such term includes the Manual of Procedures and all annexes, schedules and attachments thereto and to the Convention;

(e) "Manual of Procedures" means the Manual of Procedures employed by AMEXTIPE to govern its operations with third parties, which manual is annexed to the Convention;

(f) "By-laws" means the interior regulations of AMEXTIPE;

(g) "Statuts" means the Articles of Agreement of AMEXTIPE;

(h) "Sub-project" means any activity described as such in Schedule 2 to this Agreement, and to be financed out of the proceeds of the Credit;

(i) "Sub-project Agreement" means an Agreement between AMEXTIPE and an Implementing Enterprise in relation to the execution of a Sub-project;

(j) "Beneficiary" means the municipality, public entity or local community for whose benefit a Sub-project is to be executed;

(k) "Implementing Enterprise" means a consultant, a contractor or an entity to which a contract has been awarded to execute a "Sub-project";

(l) "UM" or "Ouguiya" means the currency of the Borrower;

(m) "MET" means Ministry of Public Works and Transport of the Borrower; and

(n) "MON" means Municipality of Nouackchott.

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 eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000).

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 Ouguiya 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 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 December 31, 1997 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 February 15 and August 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 semi-annual installments payable on each February 15 and August 15 commencing February 15, 2003 and ending August 15, 2032. Each installment to and including the installment payable on August 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, without any limitation or restriction upon any of its obligations under this Agreement shall: (i) cause AMEXTIPE to execute the Project with due diligence and efficiency, in accordance with the provisions of the Convention and with appropriate administrative, financial, engineering and public works practices; (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AMEXTIPE to carry out the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the performance of AMEXTIPE.

(b) The Borrower shall exercise its rights under the Convention in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Convention or the Statuts or any provision thereof.

(c) The Borrower shall exercise its rights under the Convention to keep the position of General Manager of AMEXTIPE filled at all times, by a person having experience and qualifications acceptable to the Borrower and the Association, to be assisted at all times by competent staff in adequate numbers, in particular, the persons to fill the position of Technical Manager and Administrative/Financial Manager.

(d) Without limitation upon the provisions of Section 3.01 (a) of this Agreement, the Borrower shall:

- (i) exercise its rights under the Convention to cause AMEXTIPE to:

- (A) (i) adopt not later than three months after the Effective Date of this Agreement the final version, satisfactory to the Association, of the 1993 training program referred to in Parts B.2 and B.3 of the Project; and (ii) thereafter submit to the Association such annual training program for the following year not later than September 30 of each year;
 - (B) submit to the Association for approval, no later than September 30 of each year, the annual work program of Sub-projects for the following 12 month period starting February 15, totalling at least the equivalent of:
 - (i) \$3.0 million for the program to be submitted on September 30, 1993;
 - (ii) \$4.0 million for the program to be submitted on September 30, 1994; and
 - (iii) \$4.0 million for the program to be submitted on September 30, 1995 subject to co-financing up to this amount;
 - (C) submit periodically to the Association proposals to up-date the roster of consultants and contractors, acceptable to the Association.
- (ii) make available to AMEXTIPE out of its own resources all the necessary funds needed for the execution of the Sub-projects referred to in subparagraph (i) (B) of this Section.

(e) For the purposes of obtaining the Association's approval to any of the annual programs referred to in subparagraph (d) (i) (B) of this Section or any additional program submitted by AMEXTIPE, the Borrower shall furnish to the Association satisfactory evidence attesting that, pursuant to paragraph (a) and paragraph (d) (ii) of this Section, the Borrower and the Beneficiaries have paid their contribution for the previous year; the Borrower has made budgetary provisions for its contribution for the current year; and the program referred to under (d) (i) (A) (ii) of this Section is acceptable to the Association.

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

Section 3.03. The Borrower shall exercise its rights under the Convention to cause AMEXTIPE:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practices; and

(b) at all times to operate and maintain its equipment and other property and, from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

Section 3.04. The Association and the Borrower hereby agree that the obligations set forth in Sections 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) shall be carried out by AMEXTIPE.

Section 3.05. (a) The Borrower, AMEXTIPE and the Association shall undertake a joint review of the Project every year during the third calendar quarter during which they shall exchange views on matters relating to: (i) the progress of the Project and Sub-projects; (ii) AMEXTIPE's management, notably, its adherence to its Statuts, its By-laws, its Manual of Procedures and its administrative cost structure; (iii) the accomplishment both by AMEXTIPE and the Borrower of their respective obligations under the Convention; (iv) the performance by AMEXTIPE and Implementing Enterprises of their respective obligations under Sub-project Agreements; (v) implementation by AMEXTIPE of the training programs under Part B of the Project; and (vi) feasibility of extending the geographical coverage of AMEXTIPE's interventions and other matters relating to the purposes of the Credit. The overall performance of AMEXTIPE shall be measured in terms of the performance monitoring indicators set forth in the Manual of Procedures.

(b) Not later than one month prior to each such review, the Borrower shall furnish to the Association, for its review and comments and in such detail as the Association shall reasonably request, a report on the progress and status of the Project, covering the points to be reviewed.

(c) Following each such review, the Borrower undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

Section 3.06. Without any limitation to or restriction upon their other reporting requirements under the General Conditions and under this Agreement, the Borrower, AMEXTIPE and the Association shall, not later than December 31, 1994 or such other date as the Borrower and the Association shall agree upon, carry out a mid-term review with regard to the progress of the Project and Sub-projects, assessing the implementation of the Project with specific emphasis on the impact of the Project on: (i) the environment; (ii) the creation of a skilled work force; and (iii) alleviation of social needs; the mid-term review shall also include an evaluation of the adequacy of contributions of all parties to a Sub-project, including the percentage of financing, as well as options to include new categories of Sub-projects in order to better meet the Project's objectives as set out in Schedule 2 to this Agreement. The Borrower shall, with respect to the mid-term review, take the actions described in Section 3.05 (b) and (c) of this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause AMEXTIPE to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of AMEXTIPE.

(b) The Borrower shall cause AMEXTIPE to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account audited every three months, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

- (ii) have its administrative, technical and managerial performance audited every three months, commenting on AMEXTIPE's compliance with the rules and regulations set forth in the Convention, the Statuts and the By-laws;
- (iii) furnish to the Association as soon as available, but in any case not later than one month after the end of each quarter: (A) certified copies of its financial statements for each such period as so audited; and (B) the report concerning the financial and the administrative performance of AMEXTIPE, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iv) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that AMEXTIPE or the Borrower will be able to perform their obligations under the Convention;

(b) the Statuts of AMEXTIPE, its By-laws, or the Convention, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AMEXTIPE to perform any of its obligations under the Convention;

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AMEXTIPE, or for the suspension of its operation;

(d) the Borrower or AMEXTIPE shall have failed to perform any of their respective obligations under the Convention;

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

(b) any event specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur; and

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Convention has been duly signed by the Borrower and AMEXTIPE; and the Statuts and the By-laws, and the changes to the Manual of Procedures as agreed upon during negotiations of this Agreement, have been approved by the Borrower;

(b) the General Manager, the Technical Manager and the Administrative/Financial Manager of AMEXTIPE, all acceptable to the Association, have been appointed;

(c) AMEXTIPE has submitted to the Association and obtained its approval for: (1) a first series of Sub-projects, representing an aggregate estimated cost of at least one million Dollars equivalent, to be financed under the Credit during the first twelve months of operation; and (2) a short list of preselected Implementing Enterprises;

(d) the Borrower has deposited into AMEXTIPE's account at least \$250,000 equivalent to finance the execution of said Sub-projects;

(e) AMEXTIPE has submitted to the Association an action plan for the execution of the 1993 training program under Parts B.2 and B.3 of the Project acceptable to the Association;

(f) an operational accounting system consistent with the Manual of Procedures and satisfactory to the Association has been set up in AMEXTIPE; and

(g) the auditors referred to in Section 4.01 (b) of this Agreement have been appointed for a period of three years.

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: (i) the Convention has been duly authorized or ratified by the Borrower and AMEXTIPE, and is legally binding upon the Borrower and AMEXTIPE in accordance with its terms; (ii) that Article 8 of the Convention referring to preferential treatment is applicable to the contracts entered into by AMEXTIPE; and (iii) that, according to the laws of the Borrower, the procurement procedures as stipulated in the Manual of Procedures may be applied by AMEXTIPE.

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 Ministre du Plan 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:

Ministcre du Plan
BP 238
Nouakchott
Mauritania

Cable address:

MP
Nouakchott

Telex:

540 MTN

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:

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Mohamed Fall Ainina
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

Category	Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Public works and services under Part A of the Project	4,990,000	90% up to December 31, 1993; 80% from January 1, 1994 and thereafter
(2) (a) Consultants' services for design and supervision for works under Part A of the Project	370,000	90% up to December 31, 1993; 80% from January 1, 1994 and thereafter
(b) Other consultants' services under Parts B and C of the Project	1,440,000	100%
(3) (a) Goods and equipment for AMEXTIPE	70,000	100%
(b) Goods and equipment for MET	180,000	100%
(c) Goods and equipment for MON	40,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Operating costs of AMEXTIPE	600,000	90% up to December 31, 1993; 80% from January 1, 1994 and thereafter
(5) Refunding of Project Preparation Advance	600,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	410,000	
TOTAL	8,700,000 =====	

2. For the purposes of this Schedule, "operating costs" means the costs incurred by AMEXTIPE under the Project on account of local staff salaries and allowances, operation and maintenance of vehicles and equipment, office rent, supplies and services.

3. The percentages of expenditures to be financed under Categories (1), (2) and (4) shall be governed by the date of the contract of the Sub-project for which disbursement is requested.

4. 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 to: (a) create employment during project implementation in urban areas by means of labor-intensive technologies, and contribute to employment creation in the long run by showing that such technologies are feasible; (b) under-take a program of local public works and services in the area of infrastructure maintenance, rehabilitation and upgrading; (c) pro-mote local private contractors and consulting firms in project execution and improve project management procedures; (d) improve the skills of workers, the corporate competitiveness of firms and the public works expertise of municipalities; (e) increase the capacity of the public sector to orient and manage efficiently its demand for works, goods and services, notably, by streamlined and transparent procurement procedures and contract administration; (f) strengthen the institutional capacity of AMEXTIPE; and (g) generally strengthen the Borrower's efforts to promote the private sector.

The Project consists of the following Parts A, B and C, to be executed by AMEXTIPE with the exception of Part C for which contract management only is conferred upon it, all such Parts subject to such modifications as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A:

1. Public Works Program

Preparation and execution of small-scale public works Sub-projects, to be carried out under labor-intensive schemes by mostly local contractors, including, but not limited to, the construction and repair of urban infrastructure public facilities and the national highway network of the Borrower.

2. Public Services Program

Identification, preparation and execution of public services, part of which may be the maintenance component of Part A above.

Part B: Technical Assistance and Training Program

1. Design and supervision of the Program under Part A above.

2. Provision of assistance and training to improve the capacity of:

- (i) local governments to identify and evaluate the feasibility of small-scale public works projects and design easily applicable procurement procedures;
- (ii) local consultants to prepare sound feasibility studies and technical proposals for such projects; and
- (iii) local contractors in management, work organization, cost awareness and other skills necessary for efficient implementation of such projects.

3. Provision of assistance to enhance local populations' awareness, acceptance and participation in such projects (grassroots participation).

4. Provision of services and training aimed at local governments, consultants and contractors to improve project monitoring at all levels.

5. Development and implementation by AMEXTIPE of a program to monitor and evaluate its operations and the other activities it finances, including the improvement of operations in conformity

with the proposals of financial, technical and management audits of such operations and activities.

Part C: Sectoral Studies and Assistance

1. Preparation and evaluation of studies focussing in particular on appropriate: (i) road management: construction, rehabilitation, repair and maintenance; (ii) programming and funding procedures for road maintenance in MET; and (iii) road management structure and procedures within MET.
2. Provision of assistance to MET to implement recommendations in view of a more effective road management structure and streamlined procedures.
3. Preparation and evaluation of studies focussing on improvement of urban management through: (i) improved collection of local taxes; (ii) adequate matching procedures for central and local government funds; and (iii) more cost-effective use of available resources, all said activities involving the Municipality of Nouakchott, and the Ministry of Finance and the Ministry of the Interior of the Borrower.
4. Provision of assistance to the Beneficiaries under Part C.3 (iii) of this Schedule to implement the recommendations of the studies and to improve cooperation and the funding of municipal services and investments.
5. Preparation of an action plan on development for the construction industry in the territory of the Borrower.

* * *

The Project is expected to be completed by June 30, 1997.

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, works and goods 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods, in accordance with the procedures described in Part A hereof, goods manufactured in the territory of the Borrower 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. Items or groups of items for works estimated to cost the equivalent of \$283,000 or less per contract, up to an aggregate

amount financed by the Association not to exceed \$6,970,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures laid down in the Manual of Procedures.

2. Items or groups of items for goods estimated to cost the equivalent of \$283,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of international shopping with price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures laid down in the Manual of Procedures.

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 for works or services pursuant to Part A of Schedule 1 to this Agreement, estimated to cost the equivalent of \$192,000 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.

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

Section II. Employment of Consultants

In order to assist AMEXTIPE in carrying out the Project, the Borrower shall cause AMEXTIPE to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

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

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

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

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

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit 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.

