

CONFORMED COPY

CREDIT NUMBER 2421 ANG

(Financial Institutions Modernization Project)

between

PEOPLE'S REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 15, 1992

CREDIT NUMBER 2421 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 15, 1992, between PEOPLE'S REPUBLIC OF ANGOLA (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 Statement on Financial Sector Reform (the Statement), dated August 7, 1992, from the Borrower describing its policies and action plan to reform the financial sector of the Borrower and declaring the Borrower's commitment to the implementation of said Statement; and

WHEREAS (C) 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) "BNA" means Banco Nacional de Angola, the Central Bank of the Borrower, established and operating pursuant to Law No. 4/91 dated April 20, 1991;

(b) "CAP" means Caixa de Credito Agro-pecuaria e Pescas, the Borrower's Agricultural and Fisheries Credit Fund, established and operating pursuant to its Statutes approved by Decree No. 8-B/91 dated March 16, 1991;

(c) "IFBA" means Instituto de Formacao Bancaria de Angola, the banking training institute of the Borrower, to be established under the Project and referred to under Part B.2 of the Project;

(e) "MOF" means the Borrower's Ministry of Finance;

(f) "UAN" means Universidade Agostinho Neto, the Borrower's University;

(g) "Administration Agreement" means the agreement entered into between the Borrower and BNA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Administration Agreement;

(h) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to: (i) Letter of Agreement dated December 6, 1991, and countersigned by the Borrower on December 17, 1991; and (ii) Letter of Agreement dated June 17, 1992, and countersigned by the Borrower on July 6, 1992;

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

(j) "fiscal year" and "FY" mean the Borrower's fiscal year which runs from January 1 to December 31.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fourteen million eight hundred thousand Special Drawing Rights (SDR 14,800,000).

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, through BNA, 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 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 April 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 and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on 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 semi-annual 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 through BNA with due diligence and efficiency and in conformity with

appropriate banking, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make the proceeds of the Credit available to BNA under an Administration Agreement to be entered into between the Borrower and BNA on terms and conditions which shall have been approved by the Association.

(c) 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 cause BNA to carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(d) The Borrower shall exercise and cause BNA to exercise their respective rights under the Administration Agreement, in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which should have the effect of assigning, amending, abrogating or waiving the said Agreement or any provision thereof.

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

Section 3.03. The Borrower shall cause BNA to, not later than thirty (30) days after the Effective Date: (a) open and maintain an account in dollars, local currency or such other currency as may be acceptable to the Association, in a commercial bank (the Project Account), on terms and conditions satisfactory to the Association; (b) promptly thereafter, make an initial deposit into such account, in dollars, local currency or such other currency as may be acceptable to the Association, in an amount equivalent to two hundred fifty thousand dollars (\$250,000) to finance the Borrower's contribution to the Project; and (c) deposit every four months, into the Project Account such amounts in dollars, local currency or such other currency as may be acceptable to the Association, as shall be required to timely replenish the Project Account.

Section 3.04. The Borrower shall cause BNA to: (a) carry out, jointly with the Association, not later than October 31 of each year, until the completion of the Project, an annual review of Project implementation. The review shall cover, inter alia, the following: (i) monitoring of progress in achieving Project objectives; (ii) updating Project implementation timetable; (iii) identifying of implementation issues that may have arisen and finding appropriate solutions; (iv) assessing reforms carried out by the Borrower in accordance with the terms of the Statement; and (v) actions taken by the Borrower to carry out Parts A.4 (b) and B.2 (c) of the Project;

(b) furnish to the Association, for its review and comments, four weeks prior to such review but not later than September 30, of each year until completion of the Project, a report in such detail as the Association shall reasonably request, including an evaluation of progress achieved in carrying out the Project; and

(c) promptly after completing said annual reviews, carry out those recommendations arising out of said reviews as agreed between the Borrower and the Association.

Section 3.05. The Borrower shall, and shall cause BNA, to: (a) maintain, during the execution of the Project, the staff responsible for Project implementation, with experience, qualifications, terms of reference, and responsibilities satisfactory to the Association and set forth in Part A of Schedule 5 to this Agreement; (b) take all necessary measures to appoint, and thereafter maintain, qualified BNA counterpart staff in a ratio satisfactory to the Association to work with, and receive training from consultants employed under the Project, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause BNA to maintain 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 cause BNA to:
- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause BNA to:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

- (a) the Borrower or BNA shall have failed to perform any of their respective obligations under the Administration Agreement;
- (b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that BNA will be able to perform any of its obligations under the Administration Agreement;
- (c) the Borrower, BNA, or any other authority having jurisdiction shall have taken any action concerning the Borrower's Statement that would materially affect the objectives of the Project;
- (d) the Borrower or BNA shall have taken any action concerning the action plan prepared by the Borrower in reference to the completion and distribution of housing facilities referred to under Parts A.4 (b) and B.2 (c) of the Project, in a manner that would materially affect the ability of BNA to perform any of its obligations under this Agreement;
- (e) Lei Organica do Banco Nacional de Angola (Law No. 4/91 of April 20, 1991) or any other legislation governing the operations of BNA shall have been amended, suspended, repealed or waived so as to affect materially and adversely the ability of

BNA to perform any of its obligations under this Agreement; and

(f) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BNA or for the suspension of its operations or any substantial portion thereof.

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

(a) any of the events specified in paragraphs (a), (b), (c) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any of the events specified in paragraphs (e) or (f) 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 Association has received from the Borrower satisfactory evidence to it that the Interagency Committee referred to under Part A.1 of Schedule 5 to this Agreement has been legally established with staffing, functions and responsibilities agreed with the Association; and

(b) the Administration Agreement has been executed on behalf of the Borrower and BNA on terms and conditions satisfactory to the Association.

Section 6.02. The following are specified as additional matters, 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:

(a) that this Agreement has been duly ratified by the Borrower's Council of Ministers and is legally binding upon the Borrower in accordance with its terms; and

(b) that the Administration Agreement has been duly authorized and is legally binding upon the Borrower and BNA.

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

Representative of the Borrower; Addresses

Section 7.01. The Governor of BNA 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:

Banco Nacional de Angola
P.O. Box 1243
Luanda
People's Republic of Angola

Cable address:

BANANG
Luanda

Telex:

3123
3321
3144
3005

Facsimile:

390579

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.

PEOPLE'S REPUBLIC OF ANGOLA

By /s/ Afonso van Dunem

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ewdard 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 under:		85%
(a) Part A.4 (b) of the Project; and	420,000	
(b) Part B.2 (d) of the Project	420,000	
(2) Goods, vehicles and services under:		100%
(a) Parts A.1 (c) and A.1 (d) of the Project;	1,970,000	
(b) Parts B.2 (c); B.2 (f); and B.2 (g) of the Project; and	1,200,000	

(c) Parts D (b); D (c); and D (d) of the Project	640,000	
(3) Equipment, vehicles, materials and supplies	920,000	100%
(4) Consultants' serv- ices and audits	3,230,000	100%
(5) Training	3,440,000	100%
(6) Refunding of Project Prepara- tion Advance	850,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,710,000	
TOTAL	14,800,000	

2. For the purposes of this Schedule, the term "training" means the costs of fellowships, workshops, seminars, study tours, including travel and per-diem and other costs strictly related to training activities carried out by the Borrower under any of the training programs financed under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Category (2) (a) unless the Borrower has completed the strategic plan referred to under Part A.1 (b) of the Project and has submitted its recommendations to the Association for its review and comments;

(c) expenditures under Categories (1) (b) and (2) (b), unless the Borrower has submitted to the Association documentary evidence, satisfactory to it, certifying the legal establishment of IFBA; and

(d) expenditures under Category (2) (c) unless the Association has received documentary evidence, satisfactory to it, certifying the Borrower's completion of actions referred to under Part D (a) of the Project, in a manner acceptable to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) strengthen BNA's capabilities to perform its monetary policy and regulatory functions; (b) develop banking infrastructure; (c) improve the legal and regulatory environment for financial operations; and (d) establish institutional mechanisms for investment financing by the private sector.

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: Strengthening of BNA's monetary policy and regulatory capabilities

1. Strengthening of BNA's information systems:

(a) improvements to internal organization and policies for information systems and carrying out initial training programs;

(b) design of information systems requirements and preparation of a strategic plan for system development and technology use;

(c) development and implementation of essential information systems and related acquisition of computers and software; and

(d) strengthening and provision of training to assist BNA's management and staff in the implementation of the actions described above.

2. Improving BNA's accounting capabilities:

(a) preparation of auditable accounts and identification of accounting systems in need of strengthening;

(b) strengthening of accounting systems;

(c) carrying out external audits and identification of measures to improve BNA's internal control mechanisms;

(d) design and establishment of an internal audit function; and

(e) training of BNA staff in accounting and internal audit techniques.

3. Strengthening of BNA staff banking skills:

(a) setting up the personnel management function in BNA, including the development and implementation of professional development streams for BNA staff;

(b) supporting BNA's Supervision Department in, inter alia: (i) carrying out two portfolio audits of the major commercial banking institutions; and (ii) provision of internships for BNA staff to visit supervision departments of other central banks;

(c) long- and short-term training abroad for BNA senior staff;

(d) local training for BNA staff at IFBA;

(e) strengthening of BNA's administrative, managerial and policy-making capabilities; and

(f) acquisition of about four vehicles.

4. Building rehabilitation:

(a) architectural design and construction supervision;

(b) rehabilitation and equipping of one of BNA's buildings to provide housing to about ten expatriate consultants employed under the Project; and

(c) complete building rehabilitation and distribute housing facilities to expatriate consultants financed under the Project.

Part B: Developing banking infrastructure

1. Establishing a check-clearing system:

design and implementation of a nation-wide check-clearing system.

2. Establishment of IFBA:

(a) design and implementation of IFBA's strategy, scope, legal status and training programs;

(b) architectural design and construction supervision;

(c) carrying out and administering training activities for: (i) mid-level management and staff from banking institutions, insurance companies, and other financial institutions; and (ii) high-level management of financial institutions;

(d) completing building rehabilitation for IFBA's headquarters and distribute: (i) teaching facilities to training programs relevant to the objectives of the Project; and (ii) housing facilities to expatriate consultants financed under the Project;

(e) upgrading training skills of trainers;

(f) supporting twinning arrangements with relevant foreign training institutions; and

(g) acquisition of about two vehicles, office equipment and pedagogical materials.

3. Developing a core of skilled financial professionals:

(a) supporting a twinning arrangement between the Faculty of Economics of UAN and a relevant foreign academic institution; and

(b) acquisition of one vehicle.

Part C: Improvement of the financial legal and regulatory framework

1. Improving the application of banking legislation:

(a) design, publication and distribution of a loose-leaf banking operational manual, including: (i) a description of banking operations; and (ii) standard contractual forms required by the legislation in force;

(b) compilation, harmonization, publication and dissemination of the banking legal and regulatory framework in the form of a legal inventory;

(c) strengthening of the legal and technical capabilities of staff from BNA and other banking institutions through short-term practical training, locally and abroad;

(d) strengthening of the National Directorate of Registries and Notarial Services, including: (i) carrying out an inventory of priority actions and equipment requirements; (ii) acquisition of office equipment, materials, supplies and security systems for about four services in the City of Luanda and about six services in selected provincial cities; and (iii) carrying out short-term practical training for staff of Registries and Notarial Services; and

(e) review and develop banking regulations.

2. Developing insurance legal and regulatory framework:

(a) setting up and strengthening of the Insurance Supervisory Commission; and

(b) review and adjustment of the legal and regulatory framework for the insurance industry.

3. Developing the Borrower's legal and regulatory framework in respect of accounting and auditing:

(a) strengthening of MOF's capabilities to: (i) improve commercial accounting; and (ii) publish national accounting and audit standards and model accounting and audit manuals;

(b) assisting the Borrower with the establishment of the accounting profession; and

(c) acquisition of one vehicle.

Part D: Improvement of mechanisms for financing of investment

(a) design and implementation of the restructuring of the CAP and appointment of its key staff;

(b) operation of the restructured CAP;

(c) training of staff for the restructured CAP;

(d) acquisition of basic office equipment, supplies and computer hardware and software; and

(e) strengthening of the banking and private productive sectors' capabilities for financing of investments.

* * *

The Project is expected to be completed by October 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 D hereof: (a) goods; and (b) works referred to under Part B.2 (d) of the Project 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).

2. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Angola 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 thereto.

Part D: Other procurement procedures

1. Local competitive bidding. (a) Works referred to under Part A.4 (b) of the Project, up to an aggregate amount equivalent to \$850,000; and (b) goods estimated to cost the equivalent of \$125,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Local shopping. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$400,000 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.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding 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

In order to assist BNA in carrying out the Project, BNA 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.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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.

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 in 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 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 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 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.

SCHEDULE 5

Implementation Program

Part A: Project Management

1. Interagency Committee (IC)

(a) The Borrower shall establish an interagency committee with the following members: (i) representative of the Ministry of Plan; (ii) representative of MOF; (iii) representative of BNA (Chairperson); (iv) the Project Coordinator; and (v) the Deputy Project Coordinator. Representatives of Ministry of Justice and UAN and other entities relevant to Project Implementation, may be invited to participate in the IC meeting, as necessary.

(b) The IC shall provide guidance to the Project Coordinator and Deputy Project Coordinator, as hereinafter defined, on: (i) policy issues related to the Project; (ii) overall monitoring of progress achieved in Project implementation; and (iii) addressing issues requiring interagency coordination.

(c) The IC shall meet at least once every semester.

(d) The representative of BNA shall be responsible for the Secretariat of the IC.

2. Project Coordination Staff

(a) The Governor of BNA shall appoint, two senior-level staff, with qualifications and experience satisfactory to the Association, to carry out overall Project coordination, as follows: (i) Project Coordinator (PC); and (ii) Deputy Project Coordinator (DPC).

(b) The PC shall be responsible for the implementation of all Parts of the Project in close coordination with: (i) the respective unit or department of BNA; or (ii) Ministry or agency, concerned with the carrying out of the technical aspects of that specific Part of the Project.

(c) The DPC shall assist the PC in discharging his/her Project implementation responsibilities.

(d) The Project Coordination staff shall be assisted by an expatriate consultant employed by BNA as Project Administrator (PA), with qualifications and experience satisfactory to the Association. The PA shall be responsible, inter alia, for: (i) the carrying out of day-to-day Project activities; (ii) ensuring that Guidelines and procedures referred to under Schedule 3 to this Agreement are complied with; and (iii) preparing periodic progress reports of Project implementation, to be submitted to the Borrower, BNA and the Association.

3. Other staff

BNA shall assign:

(a) an Architect, with qualifications and experience satisfactory to the Association, to carry out on a part-time basis the following: (i) supervise the carrying out of civil works financed under the Project; (ii) participate in the identification, selection and contracting of consultants' services employed under the Project to assist BNA in carrying out Parts A.4 (b) and B.2 (d) of the Project; (iii) coordinate all measures to implement the actions referred to under Part A.4 (c) of the Project; and

(b) other high-level technical staff and administrative support staff, in adequate numbers, to facilitate Project implementation.

Part B: Institutions responsible for Project implementation

1. Part A of the Project:

(a) (i) Part A.1 of the Project shall be managed by the Head of the Organization and Informatics Directorate of BNA; and (ii) The Informatics Committee (IC) composed of Directors of user Departments and chaired by one of BNA's Vice-Governors, shall be responsible for the overall direction of the informatics program referred to under Part A.1 of the Project.

(b) Parts A.2 (a), A.2 (b), A.2 (d); and A.2 (e) of the Project shall be implemented by BNA's Accounting Directorate.

(c) Part A.2 (c) of the Project shall be implemented by BNA's Conselho de Auditoria.

(d) Part A.3 of the Project shall be implemented as follows: (i) Part A.3 (a) of the Project, by BNA's Personnel Directorate; (ii) Part A.3 (b) of the Project, by BNA's Supervision Department; and (iii) Parts A.3 (c), A.3 (d) and A.3 (e) of the Project, by all BNA's relevant departments under the coordination of the PC and DPC.

(e) Part A.4 of the Project shall be implemented by BNA's PC and DPC in close coordination with the Architect of Direcco de Patrimonio e Servicos.

2. Part B of the Project:

(a) Part B.1 of the Project shall be managed by BNA Direcco de Emissao e Credito.

(b) Part B.2 of the Project shall be implemented by IFBA.

(c) Part B.3 of the Project shall be implemented by BNA, in close coordination and under the technical supervision of the Faculty of Economics of UAN.

3. Part C of the Project:

(a) Part C.1 of the Project shall be implemented by BNA's Legal Advisory Services, in close coordination with MOF, Ministry of Justice, National Directorate of Registries and Notarial Services and the Law School of UAN.

(b) Part C.2 of the Project shall be implemented by the Borrower's Insurance

Supervisory Office.

(c) Part C.3 of the Project shall be implemented by MOF's Accounting National Directorate and National Inspectorate of Finance.

4. Part D of the Project:

Part D of the Project shall be implemented by BNA in collaboration with MOF.

Part C: Schedule of Actions to be carried out by the Borrower and BNA during Project implementation

Except as the Association and the Borrower shall otherwise agree, the Borrower shall carry out and shall cause BNA to carry out the following actions:

1. Not later than September 30 of each year, prepare and furnish to the Association, for its approval, draft annual informatics program and budget as referred to under Part A.1 of the Project.

2. Not later than May 31, 1993, establish and approve criteria for the award of long-term fellowships financed under the Project. These criteria shall include, inter alia, the following:

(a) having worked, on a full-time basis for the respective institution, for one year before starting the training program; and

(b) having provided a formal commitment to full-time working for the respective institutions, for a period at least equivalent to twice that of the training, upon return.

3. Not later than March 31 and September 30 of each year during Project implementation, prepare and submit to the Association, for its review and comments, semiannual reports, including: (a) updated cost estimates for individual contracts and the total Project; (b) revised timing of procurement actions, including a detailed description of advertising, bidding, contract awards and completion time for individual contracts; and (c) reference to compliance with procurement procedures described under Schedule 3 to this Agreement.

