

CONFORMED COPY

CREDIT NUMBER 2326 ANG

(Lobito Benguela Urban Environmental
Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 13, 1992

CREDIT NUMBER 2326 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 13, 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 Borrower intends to contract from Swedish International Development Agency (SIDA) a grant (the SIDA Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and SIDA; and

(C) the Borrower intends to contract from the Government of Norway Development Agency (NORAD) a grant (the NORAD Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the NORAD Grant Agreement) to be entered into between the Borrower and NORAD; 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "DPSC" means Direccao Provincial dos Servicos Comunitarios, the Provincial Directorate for Community Services of the province of Benguela;

(b) "EPAB" means Empresa Provincial de aguas de Benguela, the Provincial Water Company of Benguela, established pursuant to Despacho No. 46/76 dated December 28, 1976;

(c) "GPP" means Gabinete Provincial do Plano do Governo da Provincia de Benguela, the Provincial Planning Office of the province of Benguela;

(d) "Implementation Agreements" means the agreements entered into among the provincial government of Benguela and the agencies responsible for Project implementation, as set forth in Part B of Schedule 4 to this Agreement;

(e) "Project Account" means the account referred to in Section 3.03 of this Agreement;

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 14, 1990, March 16, 1990; and September 26, 1991 between the Borrower and the Association;

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

(h) "fiscal year" means the Borrower's fiscal year which runs from January 1 to December 31.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty three million six hundred thousand Special Drawing Rights (SDR 33,600,000).

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, through GPP, shall 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 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be September 30, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 2002, and ending December 15, 2031. Each installment to and including the installment payable on December 15, 2011 shall be one per cent (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 GPP, in accordance with the terms of Decreto Ejecutivo Conjunto No. 66/91 of August 15, 1991, with due diligence and efficiency and in conformity with

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall: (i) carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and (ii) shall take and cause to be taken all action to enable the provincial government of Benguela, GPP, EPAB and DPSC to perform their respective obligations under the Implementation Agreements.

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, through GPP, shall not later than thirty (30) days after the Effective Date: (a) open and maintain an account in dollars, 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 or such other currency as may be acceptable to the Association, in an amount equivalent to three hundred thousand dollars (\$300,000) to finance the Borrower's contribution to the Project; and (c) deposit every four months, into the Project Account, such amounts in dollars or such other currency as may be acceptable to the Association, as shall be required to timely replenish the Project Account.

Section 3.04. (a) The Borrower and the Association shall not later than eighteen months after the Effective Date, conduct a mid-term Project implementation review to:

- (i) monitor progress in: (A) carrying out the Project; (B) the performance of the Borrower's provincial government of Benguela, GPP, EPAB and DPSC under the Implementation Agreements; (C) the implementation of cost recovery mechanisms established under the Project, including those referred to under Section 6.01 (c) of this Agreement; (D) the implementation of the environmental action plan based on the studies referred to under Part D.3 of the Project; and (E) the implementation of the land registration pilot program based on the studies referred to under Part D.4 of the Project.
- (ii) discuss and agree on an implementation program, including an action plan and a timetable to be implemented until the completion of the Project for the: (A) periodic revision of water and sewer tariffs; (B) institutional reorganization of EPAB based on the recommendations of the study referred to under Part D.1 of the Project; and (C) approval and implementation of cost recovery mechanisms referred to under Parts A.1; A.2; A.4; and B.1 (a) of the Project including fees and prices for goods and services under the Project;
- (iii) discuss and coordinate all other related technical assistance financed by other donor agencies and cofinanciers; and
- (iv) exchange information among staff of the Borrower responsible for Project implementation and propose coordinated solutions to any current issues.

(b) Not later than four weeks prior to such review, the Borrower shall furnish to the Association for its review and comments a report in such detail as the Association shall reasonably request, including:

- (i) an evaluation of progress achieved in Project implementation pursuant to the terms of this Agreement and the Implementation Agreements; and
- (ii) a draft implementation program to be carried out until completion of the Project, including: (A) detailed technical assistance and training programs; (B) measures taken to maintain qualified local counterpart staff responsible for Project implementation; (C) an

updated procurement program detailing goods and works to be procured under the Project in accordance with the provisions of Schedule 3 to this Agreement; and (D) a progress report on the implementation of the action plan to provide housing, office space and transportation for consultants employed under the Project.

(c) Promptly after completing the mid-term review, carry out those recommendations arising out of said review as agreed between the Borrower and the Association.

Section 3.05. The Borrower shall during the execution of the Project:

(a) maintain, with functions, responsibilities, experience, qualifications and terms of reference satisfactory to the Association, the staff responsible for Project implementation as set forth in Part A of Schedule 4 to this Agreement; and

(b) and take all necessary measures to make available housing, office space and transportation to consultants employed under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause GPP 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, through GPP, 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 through GPP:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account 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) (i) Subject to paragraph (ii) of this Section:
 - (A) the right of the Borrower to withdraw the proceeds of any loan or 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, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (a) (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) The provincial government of Benguela, GPP, EPAB and DPSC have failed to perform any of their respective obligations under the Implementation Agreements.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the provincial government of Benguela, GPP, EPAB or DPSC, as the case may be, will be able to perform their respective obligations under the Implementation Agreements.

(d) Decreto Ejecutivo Conjunto No. 66/91 dated August 15, 1991; Despacho No. 46/76 dated December 28, 1976 establishing EPAB; Decreto No. 193/79, dated June 20, 1979 establishing GPP; Decreto No. 13/82, dated March 16, 1982 establishing DPSC; and Law No. 12/88, dated July 9, 1988 establishing the framework law of the Ministry of Planning of the Borrower, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially the ability of the Borrower, its ministries, and provincial government and agencies to perform any of their respective obligations under this Agreement; and

(e) the Borrower or any other provincial authority having jurisdiction shall have taken any action concerning the Borrower's water, sanitation, housing and environmental policies that would materially and adversely affect the objectives of the Project.

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

(a) that any of the events specified in paragraphs (b), (c) or (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) that the event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Association has received from the Borrower satisfactory evidence that:
(i) GPP's Director has been confirmed by the provincial governor of Benguela as Project Manager; and (ii) GPP's Project Technical Coordinator; Financial Controller; and Procurement Advisor, with qualifications and experience satisfactory to the Association, have been selected and employed in accordance with terms of reference set

forth in Part A of Schedule 4 to this Agreement;

(b) a contract, satisfactory to the Association, has been entered into between GPP and consultants selected to assist the Borrower in carrying out the studies referred to under Parts D.1. and D.2. of the Project; and

(c) the Borrower has taken all necessary measures to cause the provincial government of Benguela to approve and implement a water tariff schedule acceptable 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 Implementation Agreements have been legally executed and are binding upon the Borrower, GPP, EPAB and DPSC in accordance with their respective terms.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Provincial Governor of Benguela 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:

Provincial Government of Benguela
Palacio do Governo
P.O.Box 1
Benguela
People's Republic of Angola

Cable address:

GOVERNO PROVINCIAL
DE BENGUELA

Telex:

8059 COMPROV AN
BENGUELA

Facsimile:

34526

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.

PEOPLE'S REPUBLIC OF ANGOLA

By /s/ Afonso Van Dunem

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under:		
(a) Parts A.1, A.2; and A.3 (a); and	11,000,000	100% of foreign expenditures
(b) Parts A.3 (b), B.1, B.3, C.5 (c), C.5 (d).	2,300,000	90%
(2) (a) Equipment and vehicles;	2,700,000	100% of foreign expenditures
(b) materials and supplies; and	1,000,000	90%
(c) logistical support	1,000,000	100%
(3) Consultants' services, studies, and audits	7,000,000	100% of foreign expenditures
(4) Training	600,000	90%
(5) Project Preparation Advance	600,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	7,400,000	
TOTAL	33,600,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the

Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "logistical support" means cost of: (i) telecommunications equipment; (ii) computer equipment and software; (iii) office equipment; (iv) furniture and appliances referred to under Part C.5 (c) of the Project; and (v) repair of buildings under Parts A.4 (b) and C.5 (d) of the Project; and

(d) the term "training" means cost of fellowships, seminars, workshops, courses, study tours, internships and other costs related to activities to be undertaken as part of: (i) training programs financed under the Project; and (ii) the sanitary environmental education program referred to under Part B.2 (a) of 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 (1) (a), unless the Association has received documentary evidence, satisfactory to it, certifying the Borrower's legal ownership, including non existence of encumbrances, of land where civil works financed under the Credit will be carried out under Part A of the Project; and

(c) expenditures under Categories 1 (b) and 2 (a), unless the Association has received documentary evidence, satisfactory to it, confirming the availability of cofinancing and the effectiveness of the SIDA and the NORAD Grant Agreements.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) restore the water supply and sanitary systems of the Borrower; (b) improve living conditions in the province of Benguela; and (c) strengthen the provincial institutions responsible for Project implementation.

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: Environmental Sanitation

1. Water Supply Rehabilitation and Distribution:

(a) (i) rehabilitation of present networks; (ii) increased production of installed capacity; (iii) extension of distribution of municipal water supply and treatment system in Lobito and Benguela; and (iv) development of two new wellfields;

(b) installation of a network of about 500 standpipes and wash basins in the cities of Lobito, Benguela and Catumbela; and

(c) design and implementation of: (i) operation and maintenance; and (ii) cost recovery mechanisms for the water supply system.

2. Sanitary Sewerage System Rehabilitation:

(a) (i) rehabilitation; and (ii) expansion of the present network including construction of pumping stations and treatment plants in Lobito and Benguela; and

(b) design and implementation of: (i) operation and maintenance; and (ii) cost recovery mechanisms for the sanitary sewerage system.

3. Storm Drainage System Rehabilitation:

(a) rehabilitation of the Vala do Coringe storm drainage system in the city of Benguela; and

(b) construction of storm drainage retention dams in Lobito and Catumbela.

4. Solid Waste Management:

(a) (i) institutional reorganization and strengthening of solid waste collection and disposal system; (ii) strengthening of DPSC's solid waste management

capabilities; and (iii) training of municipal staff in solid waste management techniques in Lobito, Benguela and Catumbela;

(b) repair of the municipal vehicle maintenance workshops;

(c) development and implementation of a strategic plan for solid waste management; and

(d) design and implementation of cost recovery mechanisms for the solid waste management system.

Part B: Low Income Sanitation

1. Improved Latrine Program:

(a) production, sale and distribution of improved pit latrines, and supervision of their installation in Lobito, Benguela and Catumbela;

(b) promotion and provision of training for the implementation of the improved latrine program; and

(c) design and implementation of cost recovery mechanisms for the improved latrine program.

2. Sanitary Environmental Education:

(a) carrying out a sanitary environmental education program; and

(b) carrying out environmental health-related studies.

3. Urban Revegetation:

Planting trees, grasses and shrubs in urban areas.

Part C: Institutional Development

1. Strengthening of GPP's managerial and Project implementation capabilities.

2. Strengthening of DPSC's capabilities in:

(a) solid waste collection and disposal;

(b) vehicle and equipment maintenance; and

(c) carrying out the low-income sanitation program.

3. Strengthening of EPAB's capabilities in:

(a) operations management;

(b) systems maintenance; and

(c) financial management.

4. Training:

(a) on-the-job and overseas training of GPP staff;

(b) on-the-job and overseas training of EPAB staff;

(c) on-the-job and overseas training of DPSC staff; and

(d) training of staff responsible for Project implementation.

5. Project Management:

(a) provision of logistical and administrative support to GPP, EPAB and DPSC;

(b) acquisition of telecommunications equipment;

(c) repair, equipping and furnishing of housing assigned to foreign long-term consultants employed under the Project; and

(d) repair of office facilities for GPP, EPAB and DPSC.

6. Geographical Information System:

(a) design and implementation of a Land Registration Geographical Information System (LARGIS); and

(b) strengthening of GPP's capabilities to complete and implement the LARGIS.

Part D: Studies

Carrying out the following:

1. Water and sewerage tariff study;
2. institutional reorganization of EPAB study;
3. environmental management and monitoring studies;
4. land registration study; and
5. other studies related to the urban development sector jointly identified and agreed between the Borrower and the Association during Project implementation.

* * *

The Project is expected to be completed by March 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods and works estimated to cost the equivalent of \$500,000 or more, respectively shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Bidders for works referred to under Parts A.1; A.2; and A.3 (a) of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.
3. To the extent practicable, contracts for works shall be grouped into bid packages estimated to cost the equivalent of \$5,000,000 or more.
4. Goods shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Other Procurement Procedures

1. Local Competitive Bidding:

Goods and works estimated to cost the equivalent of less than \$500,000, up to an aggregate amount equivalent to \$9,250,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Force Account:

Works referred to under Parts B.1 and B.3 of the Project estimated to cost an aggregate amount of not more than \$800,000 may be carried out by force account.

Part C: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

3. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ 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

Implementation Program

Part A: Project Management

(a) GPP's Director shall be appointed as Project Manager responsible for the overall Project implementation.

(b) The Project Manager shall have, inter alia, the following functions: (i) coordination and monitoring of all technical and managerial aspects of Project implementation; (ii) ensuring appropriate compliance with the provisions of this Agreement and the Implementation Agreements; (iii) timely contracting and supervision of the performance of technical assistance and all studies carried out under the Project; (v) ensuring and maintaining appropriate local counterpart staff during Project implementation; (vi) prompt allocation of housing office space, and transportation to consultants employed under the Project; (vi) supervision of Project financial accounts; (vii) timely compliance with reporting, auditing and other financial covenants under Article IV of this Agreement; and (viii) liaising of Project activities with central and provincial government agencies.

(c) In addition to the Project Manager, GPP shall include the following key staff, all with qualifications and experience satisfactory to the Association:

(i) A Project Technical Coordinator, who shall be responsible, inter alia, for the following: (A) assist the Project Manager in the overall Project coordination with the support of local staff; (B) supervise and monitor the performance of all works, consultants' services and studies financed under the Project; and (B) jointly with the Financial Controller, develop and maintain budgets and systems of cost control, critical path and financial performance and key indicators for each Project component.

(ii) A Financial Controller, who shall be responsible, inter alia, for the following: (A) with the support of qualified local accounting

staff, keep financial accounts for the Project; (B) ensure appropriate compilation and maintenance of Project documentation and files; (C) prepare and maintain consolidated statements of expenditures, quarterly Project progress reports and internal audits, in sufficient detail and format satisfactory to the Association; and (D) manage the Project Account, in accordance with the provisions of Section 3.03 of this Agreement; and the Special Account in accordance with terms and conditions described in Schedule 5 to this Agreement.

- (iii) A Procurement Advisor, who shall be responsible, inter alia, for carrying out, in close coordination with the Project Manager, the Technical Coordinator and the Financial Controller, the following:
 - (A) all procurement procedures for the contracting of works and acquisition of equipment, vehicles, materials, computer systems, supplies and employment of consultants' services financed under the Project, in accordance with the provisions of Schedule 3 to this Agreement; and
 - (B) procurement of works and services necessary for the repair and furnishing of housing for foreign long-term consultants employed under the Project.

Part B: Implementation Agreements

1. The Borrower's provincial government of Benguela, GPP, EPAB and DPSC shall enter into implementation agreements which shall, inter alia, include the following:

- (a) identification of functions of the specific institutions responsible for the execution of the respective Project components; and
- (b) description of necessary coordination mechanisms.

2. The following Implementation Agreements shall be entered into:

- (a) EPAB Implementation Agreement, between GPP and EPAB, for Parts A.1; A.2; C.3; C.4 (b); C.5 (a); C.5 (c); C.5 (d); D.1; and D.2 of the Project; and
- (b) DPSC Implementation Agreement, between GPP and DPSC, for Parts A.3; A.4; B; C.2; C.4 (c); C.5; and D.3 of the Project.

SCHEDULE 5

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 in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

- (b) (i) For replenishment of the Special Account, the Borrower shall

furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

- (b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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.



