

CREDIT NUMBER 1963 GUI

(Second Economic Management Support Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 29, 1988

CREDIT NUMBER 1963 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 29, 1988, between the REPUBLIC OF GUINEA (the Borrower) and the 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 the African Development Fund (AfDF) a credit (the AfDF Credit) in an amount equivalent to \$2,500,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the AfDF Credit Agreement) to be entered into between the Borrower and AfDF;

(C) the Borrower intends to obtain from the United Nations Development Programme (UNDP) a grant (the UNDP Grant) in an amount of \$2,200,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

(D) the Borrower intends to obtain from the Fonds d'Aide et de Cooperation of France (FAC) a grant (the FAC Grant) in an amount equivalent to \$2,800,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC;

(E) the Borrower intends to contract from the Caisse Centrale de Cooperation Economique of France (CCCE) a loan (the

CCCE Loan) in an amount equivalent to \$1,200,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(F) the Borrower has obtained from the United States Agency for International Development (USAID) a grant (the USAID Grant) in an amount of \$1,300,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) dated August 25, 1988, entered into between the Borrower and USAID; and

(G) the Borrower intends to obtain additional funds from other donors to contribute to the objectives of the Project; 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advances" means the special project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated September 9, 1985 and September 19, 1985 between the Borrower and the Bank, and the project preparation advance granted by the Association to the Borrower pursuant to a letter dated June 9, 1988 and confirmed by the Borrower on June 27, 1988;

(c) "Fiscal Year" means the Borrower's fiscal year which coincides with the calendar year;

(d) "Guinean Franc" and "GNF" mean the currency of the Borrower;

(e) "BCRG" means Banque Centrale de la Republique de Guinee, the Borrower's central bank, operating pursuant to Ordonnances No. 235/PRG/85 and 236/PRG/85 of September 28, 1985;

(f) "CCEF" means Comite de Coordination Economique et Financiere, the Borrower's cabinet-level steering committee of the PREF, established pursuant to Ordonnance No. 002/PRG/86 of January 3, 1986;

(g) "CNPG" means Centre National de Perfectionnement et de Gestion, a training institute of the Borrower operating pursuant to decree No. 060/PRG/SGG/87 of May 7, 1987;

(h) "MEF" means Ministere de l'Economie et des Finances, the Borrower's ministry in charge of finances, operating pursuant to decree No. 170/PRG/SGG/88 of August 18, 1988;

(i) "MJ" means Ministere de la Justice, the Borrower's ministry in charge of Justice, operating pursuant to decree

No. 038/PRG/87 of February 23, 1987;

(j) "MPCI" means Ministere du Plan et de la Cooperation Internationale, the Borrower's ministry in charge of planning, operating pursuant to decree No. 020/PRG/86 of April 17, 1986;

(k) "MRAFP" means Ministere de la Reforme Administrative et de la Fonction Publique, the Borrower's ministry in charge of administrative reform and civil service, established pursuant to decree No. 19/SGG/PRG of January 17, 1988;

(l) "PMC" means the Project Management Committee referred to in Section 3.04 of this Agreement;

(m) "PREF" means Programme de Redressement Economique et Financier, the Borrower's economic and financial reform program, as described inter alia in its Declaration of Development Policy of June 4, 1988;

(n) "RMU" means the Reform Monitoring Unit referred to in Section 3.03 of this Agreement; and

(o) "SGG" means Secretariat General du Gouvernement, the secretariat of the Borrower's government, operating pursuant to decree No. 014/PRG/86 of April 7, 1986.

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 eleven million three hundred thousand Special Drawing Rights (SDR 11,300,000).

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 dollars, or in any other currency which the Borrower and the Association may agree upon, a special account in a commercial bank on terms and conditions satisfactory to the Association. 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 the Bank and the Association, respectively, the amount required to repay the principal amount of each of the Project Preparation Advances withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of each of the Project Preparation Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1994 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 a 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 as of 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 per cent (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 April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing April 1, 1999 and ending October 1, 2028. Each installment to and including the installment payable on October 1, 2008, 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 with due

diligence and efficiency and in conformity with appropriate economic, financial and public administration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall open and maintain in a commercial bank a revolving account exclusively for the purposes of the Project and shall, after the initial deposit therein set forth in Section 6.01 (a) of this Agreement, replenish such account as and when required to ensure that an amount at least equal to one-third of the initial deposit shall be available in such account at all times to finance the Borrower's estimated contribution to the costs of the Project.

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. (a) The Borrower shall establish and thereafter maintain a unit for the monitoring of the PREF, reporting to CCEF.

(b) RMU shall be responsible for inter alia:

- (i) preparing or reviewing notes for items to be discussed by CCEF;
- (ii) monitoring the effective implementation of decisions taken by CCEF;
- (iii) preparing comprehensive quarterly progress reports on the execution of the PREF;
- (iv) coordinating the technical work necessary to carry out and monitor the execution of the PREF; and
- (v) administering the Project.

(c) RMU shall be headed by a coordinator and shall comprise staff in numbers and with experience and qualifications satisfactory to the Association, including the Project administrator.

Section 3.04. (a) The Borrower shall, at all times during Project execution, employ qualified and experienced officials to lead the teams responsible for carrying out each of Parts A, B, C, D, E and F.2 of the Project, respectively.

(b) The Borrower shall maintain its PMC headed by the Project administrator and comprising the six officials referred to in paragraph (a) of this Section.

(c) The PMC shall be responsible for inter alia:

- (i) reviewing progress in the execution of the Project and reports thereon;
- (ii) reviewing financial and administrative issues relating to the Project and reports thereon; and
- (iii) preparing for supervision missions of the Project's co-financiers.

Section 3.05. The Borrower shall: (a) not later than October 31, in each year starting with 1989, submit to the Association for its review draft work programs for each Part of the Project for the following year and an interim evaluation of the implementation of such work programs for the current year; (b) promptly thereafter, submit such work programs with the Association's comments to CCEF for its approval; and (c) not later than December 31 of each such year, forward such work programs as

approved by CCEF to the Association.

Section 3.06. The Borrower shall:

(a) employ consultants in accordance with Schedule 3 to this Agreement to assist the Borrower in the monitoring of the Project;

(b) not later than April 30, 1990 and April 30 of each year thereafter, submit the reports and recommendations of such consultants on Project management and implementation, together with the Borrower's observations thereon, to the Association for its review; and

(c) promptly thereafter, implement such recommendations as the Borrower shall have adopted and the Association shall have found satisfactory.

Section 3.07. For the purposes of Parts A and B of the Project, the Borrower shall not later than December 31 of each year, prepare a report presenting the public investment program and the budget for the following year in the context of a five-year macroeconomic framework focussing on key development constraints and policy measures.

Section 3.08. For the purposes of Part D.4 of the Project, the Borrower shall, not later than December 31, 1989, publish its laws and regulations in its official gazette within 90 days of their enactment.

Section 3.09. For the purposes of Part E of the Project, the Borrower shall:

(a) not later than September 30, 1989, submit to the Association for its comments, a report assessing the training needs of MPCII's staff;

(b) not later than March 31, 1990, submit to the Association for its comments, reports assessing the training needs of the staff of MEF and MRAFP, respectively; and

(c) promptly thereafter, carry out the recommendations of said reports found satisfactory by the Association.

Section 3.10. For the purposes of Part E of the Project, the Borrower shall:

(a) submit to the Association for its prompt approval the list of the candidates (including their function and qualifications) for foreign fellowships financed out of the proceeds of the Credit and the program of the training to be undertaken by such candidates; and

(b) take all necessary measures to ensure that all staff having received such training remain assigned for a period of at least three years after its completion to tasks for which they were trained.

Section 3.11. The Borrower shall, prior to the arrival of any resident expert whose services are financed from the proceeds of the Credit, communicate to the Association the names and qualifications of the national counterparts of such expert.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project

or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in 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) any of the instruments governing CCEF, MEF, MPCl, MRAFP, CNPG or SGG shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Association, materially and adversely, the ability of the Borrower to perform any of its obligations under this Agreement.

(b) (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 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 (a) of Section 5.01 of this Agreement shall occur; and

(b) any event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (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 account referred to in Section 3.01 (b) of this Agreement has been opened and an initial amount equivalent to \$50,000 has been deposited therein;

(b) all conditions for the effectiveness of the AfDF Credit, the UNDP Grant, the FAC Grant, the CCCE Loan and the USAID Grant, except for the effectiveness of this Agreement, have been fulfilled;

(c) the coordinator of the RMU, the Project administrator and the six officials referred to in Section 3.04 of this Agreement have been appointed, and the PMC has been established;

(d) MPCFI, MEF and MRAFP have assigned civil servants selected pursuant to the testing and evaluation operations to positions authorized by the cadres organiques of their central departments; and

(e) instruments establishing the new organizational structure of MEF and defining the functions and staffing levels of its directorates have been enacted, and are satisfactory to the Association.

Section 6.02. The date of one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the

purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere de l'Economie et des Finances
B.P. 579
Conakry
Guinea

Telex:

22399 MIFI

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.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUINEA

By /s/ Kekoura Camara
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) Office equipment | 1,910,000 | 100% |

| | | | |
|-----|---|------------|---|
| | and vehicles | | |
| (2) | Consultants' services | 7,190,000 | 100% |
| (3) | Fellowships | 240,000 | 100% |
| (4) | Operating costs | 630,000 | 80% |
| (5) | Refunding of Project Preparation Advances | 550,000 | Amount due pursuant to Section 2.02 (c) of this Agreement |
| (6) | Unallocated | 780,000 | |
| | TOTAL | 11,300,000 | |

2. For the purposes of this Schedule, the term "operating costs" means maintenance contracts for equipment and vehicles, office supplies, and salaries and allowances of non-civil-service staff of the RMU.

3. 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 support the PREF and to strengthen the Borrower's economic, financial and administrative management capacity.

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 Economic Analysis and Planning

1. Carrying out of surveys and development of economic data bases, indices and national accounts.

2. Formulation of development strategies, preparation of periodic reports on the state of the economy and its perspectives, and development of a macroeconomic model of the Borrower's economy.

3. Carrying out of macroeconomic studies, sector reviews and feasibility studies.

4. Formulation and implementation of public sector investment programs in the framework of national priorities and budget constraints.

5. Strengthening project preparation, screening, monitoring and ex-post evaluation capacity.

Part B: Strengthening of Public Finance Management

1. (a) Rationalization of MEF's organizational structure and staffing.

(b) Strengthening of MEF's services, including computerization.

2. (a) Adoption and implementation of new budgetary rules and procedures including a clear definition of the role of each department or agency of the Borrower in the budgetary process and a timetable for the preparation, enactment and implementation, on an annual basis, of the finance law.

(b) Establishment and regular updating of the central payroll files.

3. (a) Implementation of a coherent and reliable public accounting system.

(b) Regular production of integrated reports on the status of Treasury operations.

4. Improvement of tax collection, including the establishment of tax returns verification teams and the creation of regularly updated central taxpayer files.

5. Improvement of customs collection, including the establishment of mobile surveillance and inspection brigades and the implementation of the Automated System for Customs Declarations (ASYCUDA).

6. Implementation of the new procurement code.

7. Improvement of the management of external public debt, including the establishment of a system for the regular issuance of debt profiles and projections (commitments, drawings, stock, maturities).

Part C: Administrative and Civil Service Reform

1. Establishment of a permanent system for the administrative and financial management and monitoring of the personnel of the Borrower's administration, including computerization.

2. Development of policies and implementation of improved procedures for personnel management.

3. Restructuring of the civil service department, reinforcing the personnel units in each ministerial department, and improving linkages and coordination between the civil service department and such units.

4. Completion of staff testing and selection and of the cadres organiques; identification of staff redundancies and implementation of staff redeployment programs.

5. Updating of the public sector personnel census at the prefectural level.

6. Design and implementation of a pilot administrative reform program in one prefecture.

Part D: Legal Assistance Program

1. Strengthening of the Borrower's capacity in legal drafting and in contract negotiations and supervision.

2. Strengthening of the legal services of CCEF, SGG, MEF, MJ and other selected ministries.

3. Improvement of the procedures for registering businesses (Registre du Commerce).

4. Compilation and codification of applicable economic and financial legislation and jurisprudence, and publication and dissemination of such legislation.

5. Development of a new legal and institutional framework governing relations between the Borrower and the Borrower's para-

public sector.

Part E: Professional Skills Development

1. Carrying out of assessments of the training needs of MEF's, MPCI's and MRAFP's personnel.
2. Support to training activities of CNPG, including in the areas of economic and financial management, business accounting and auditing, data processing and micro-computer use, and project analysis, preparation and supervision.
3. Development and carrying out of administrative training programs in the areas of administrative techniques and procedures, office management and personnel management.
4. Establishment of a Fellowship Fund for overseas training of civil servants in the fields of economic management, public finance, statistics, law and public administration.
5. Establishment of a program for well-qualified young nationals with a higher education degree, joining the Administration on a fixed-term, contractual basis.
6. On-the-job training.

Part F: Management of the Reform Process and Other Activities

1. Establishment of a unit for the monitoring of the PREF.
2. (a) Improvement in the quality of BCRG's supervision of the commercial banks and of banking sector regulations.

(b) Development and implementation of a system for the timely preparation by BCRG of balance of payments statistics.
3. Other activities in support of the PREF.

* * * *

The Project is expected to be completed by March 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, 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 1985 (the Guidelines).
2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Guinea may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods estimated to cost less than the equivalent of \$100,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$25,000 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. 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 economic, financial, legal, management, computer, training and other 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 (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 \$150,000 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 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 made 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 pur-

suant 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; (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.

