

CONFORMED COPY

CREDIT NUMBER 3226 MOG

Project Agreement

(Private Sector Development Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GOLOMT BANK

and

TRADE AND DEVELOPMENT BANK

Dated June 18, 1999

CREDIT NUMBER 3226 MOG

PROJECT AGREEMENT

AGREEMENT, dated June 18, 1999, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and GOLOMT BANK and TRADE and DEVELOPMENT BANK ("TDB").

WHEREAS: (A) By the Development Credit Agreement of even date herewith between Mongolia (the "Borrower") and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that each of the Golomt Bank and Trade and Development Bank take such obligations toward the Association as are set forth in this Agreement; and

WHEREAS: (B) The Golomt Bank and the Trade and Development Bank, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined

in the Development Credit Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project; Management and Operations of the Golomt Bank and the Trade and Development Bank

Section 2.01. (a) Each Golomt Bank and Trade and Development Bank declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out: (i) for Golomt Bank, its respective activities under Part A of the Project and Part B.3 of the Project; and (ii) for TDB, its respective activities under Part A of the Project and Part B.4 of the Project, and conduct its operations and affairs in accordance with sound administrative, financial, economic and managerial standards and practices, with qualified management and staff in adequate numbers, and in accordance with: (i) for Golomt Bank, the Golomt Bank Charter and (ii) for TDB, the TDB Charter, and provide promptly as needed, the funds, facilities, services and other resources required for such purposes.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Association and each of the Golomt Bank and Trade and Development Bank shall otherwise agree, each Golomt Bank and Trade and Development Bank shall carry out its respective activities under Parts A, B.3 and B.4 of the Project, respectively, in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. (a) Each Golomt Bank and Trade and Development Bank undertakes that, unless the Association shall otherwise agree, Sub-loans shall be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to this Agreement.

(b) Each Golomt Bank and Trade and Development Bank shall exercise its rights in relation to each Sub-Project financed by it through a Sub-loan in such manner as to: (i) protect the interests of the Association and of the Golomt Bank and Trade and Development Bank; (ii) comply with its obligations under this Agreement and its respective Subsidiary Loan Agreement; and (iii) accomplish the purposes of the Credit and achieve the objectives of Part A of the Project.

Section 2.03. Except as the Association shall otherwise agree, (i) procurement of works, goods and services for the Sub-projects financed by a Sub-loan shall be governed by the provisions of paragraphs 6(b) and 6(c) of Schedule 2 to this Agreement; and (ii) procurement of goods and consultants' services required for Parts B.3 and B.4 of 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 2.04. Each Golomt Bank and Trade and Development Bank shall duly perform all its obligations under its respective Subsidiary Loan Agreement and Financing Agreement. Except as the Association shall otherwise agree, Golomt Bank and Trade and Development Bank shall take or concur in any action which would have the effect of amending, abrogating, assigning or waiving its respective Subsidiary Loan Agreement or Financing Agreement or any provision thereof.

Section 2.05. (a) Each Golomt Bank and Trade and Development Bank shall, at the request of the Association, exchange views with the Association with regard to the progress of its respective activities under Parts A, B.3 and B.4 of the Project, respectively, the performance of its obligations under this Agreement and under its respective Subsidiary Loan Agreement and Financing Agreement and other matters relating to the purposes of the Credit and the objectives of the Project.

(b) Each Golomt Bank and Trade and Development Bank shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of its respective activities under Parts A, B.3 and B.4 of the Project, respectively, the accomplishment of the purposes of the Credit, or the performance by the Golomt Bank and Trade and Development Bank of their respective obligations under this Agreement and under their respective Subsidiary Loan Agreement and Financing Agreement.

Section 2.06. (a) Each Golomt Bank and Trade and Development Bank shall exchange views with the Association on any proposal to modify the following documents: (i) for Golomt Bank, the Golomt Bank Charter; and (ii) for TDB, the TDB Charter.

(b) From time to time, at the request of any party, each Golomt Bank and Trade and Development Bank shall exchange views with the Borrower and the Association on the interest rates to be charged by each Golomt Bank and Trade and Development Bank in its lending operations in light of its cost of funds and profitability and of movements in interest and inflation rates in Mongolia and internationally.

Section 2.07. If any Golomt Bank and Trade and Development Bank establishes or acquires any Subsidiary, such Golomt Bank and Trade and Development Bank shall cause any such Subsidiary to which the obligations of such Golomt Bank and Trade and Development Bank under this Agreement relate to observe and perform such obligations as though such obligations were binding upon such Subsidiary.

Section 2.08. (a) Each Golomt Bank and Trade and Development Bank shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of its respective activities under Parts A, B.3 and B.4 of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, each Golomt Bank and Trade and Development Bank shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Association and each of said Golomt Bank and Trade and Development Bank, a plan for the future operation of its respective activities under Parts A, B.3 and B.4 of the Project, respectively; and

(ii) afford the Association a reasonable opportunity to exchange views with each of said Golomt Bank and Trade and Development Bank on each said plan.

ARTICLE III

Financial Covenants

Section 3.01. (a) Each Golomt Bank and Trade and Development Bank shall maintain procedures and records adequate to monitor and record the progress of its respective activities under Parts A, B.3 and B.4 of the Project, respectively, and of each Sub-Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of such Golomt Bank and Trade and Development Bank and to register the operations, resources and expenditures related to its respective activities under Parts A, B.3 and B.4 of the Project, respectively, and each Sub-Project.

(b) Each Golomt Bank and Trade and Development Bank shall:

(i) have the records referred to in Section 3.01(a) of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year audited in accordance with sound 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 copies of the financial statements referred to in paragraph (a) above for such year as so audited, and (B) 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. Each Golomt Bank and Trade and Development Bank shall take such steps, satisfactory to the Association, as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies (including the Togrog) used in its operations.

Section 3.03. (a) By December 31, 1999, Golomt Bank shall take all such actions, satisfactory to the Association, as shall be necessary to establish and thereafter maintain its single borrower exposure to a ratio of 20% or less of its total capital.

(b) Trade and Development Bank shall take all such actions, satisfactory to the Association, as shall be necessary to establish and thereafter maintain its single borrower exposure to a ratio of 20% or less of its total capital by not later than September 30, 2000, with an intermediate ratio of 33.6% by December 31, 1999. For these purposes TDB shall implement its Plan of Actions in a manner and substance satisfactory to the Association.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Association and of the Golomt Bank and Trade and Development Bank thereunder shall terminate on the date on which the Development Credit Agreement shall terminate in accordance with its terms, and the Association shall promptly notify the Golomt Bank and Trade and Development Bank thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions or any suspension of either Golomt Bank or Trade and Development Bank to participate in carrying out its respective activities under Part A of the Project pursuant to Section III, paragraph 2 of Schedule 5 to the Development Credit Agreement.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (MCI) or
64145 (MCI)

For Golomt Bank:

Sukhbaatar Square 3, Fl. 4
Ulaanbaatar 11/20A
Mongolia

Telex:

79247 GLMT- MN

For Trade and Development Bank:

Khudaldaany-7
Ulaanbaatar-11
Mongolia

Telex:

79334TDB-MH

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement, may be taken or executed on behalf of Golomt Bank, by its Director General, or such other person or persons that the Director General shall designate in writing, and on behalf of Trade and Development Bank, by its President and Chief Executive Officer or such other person or persons that the President and Chief Executive Officer shall designate in writing, and each Golomt Bank and Trade and Development Bank shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ms. Ngozi Okonjo-Iweala

Authorized Representative

GOLOMT BANK

By /s/ D. Bayasgalan and G. Gankhuyag

Authorized Representative

TRADE AND DEVELOPMENT BANK

By /s/ D. Narankhuu

Authorized Representative

SCHEDULE 1

Implementation Program

1. Until the completion of the Project, each of Golomt Bank and Trade and Development Bank shall maintain staff and other requisite resources for carrying out its respective activities under Parts A, B.3 and B.4 of the Project, as shall be satisfactory to the Association, and each shall take all measures necessary to enable said staff to undertake the overall day-to-day supervision and coordination of its respective activities under Parts A, B.3 and B.4 of the Project.

2. Each of Golomt Bank and Trade and Development Bank shall at all times carry out the training activities under Parts B.3 and B.4 of the Project, respectively, in accordance with annual training programs to be furnished to the Association for prior approval not later than November 30 in each Fiscal Year, commencing in Fiscal Year 1999.

3. Without limitation upon the provisions of Section 9.06 of the General Conditions, each of Golomt Bank and Trade and Development Bank shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by May 1, 2002, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association views on the matter.

SCHEDULE 2

Procedures for and Terms and Conditions of Sub-loans

1. Sub-loans shall be made to an Investment Enterprise by a PFI on the following terms and conditions:

(a) the principal amount of a Sub-loan shall be lent in Togrog or in Foreign Currency, shall be payable in the same currency as the principal was lent, and shall not exceed 80% of the total estimated cost of the Sub-Project for which said Sub-loan is made or \$750,000 equivalent, whichever is lower; provided, however, that the principal amount of a Sub-loan to a single Investment Enterprise when added to other Sub-loans made by all PFIs to such Investment Enterprise shall not exceed, in the aggregate, \$750,000 equivalent.

(b) the principal amount of a Sub-Loan made in Togrog shall be repaid by the Investment Enterprise in Togrog in an amount equivalent at the time of withdrawal to the amounts withdrawn from time to time from the Sub-loan account. The principal amount of a Sub-loan made in Foreign Currency shall be repaid by the Investment Enterprise in the same Foreign Currency in an amount equivalent at the time of repayment to the value of the foreign currency withdrawn from time to time from the Sub-loan account.

(c) repayment of the principal amount of the Sub-loan, shall not be for less than thirty six (36) months nor exceed eighty four (84) months, including a grace period not to exceed two (2) years; provided, however, that no penalty for prepayment would be charged; and (d) interest on the principal amount withdrawn and outstanding of a Sub-loan shall be payable at a rate per annum to be determined by agreement between the PFI and the Investment Enterprise, taking into account, inter alia, prevailing market conditions.

2. Except as the Association shall otherwise agree, to qualify for a Sub-loan, an Investment Enterprise shall demonstrate:

(a) that the Investment Enterprise meets the following eligibility criteria: (i) has been established and operating in Mongolia; (ii) is majority privately owned; (iii) has a debt service coverage ratio of 1.3:1 for the life of the Sub-loan; and (iv) is creditworthy as demonstrated by no previous loan or commercial defaults. For the purpose of this paragraph the term "debt" means any indebtedness of the Investment Enterprise maturing by its terms more than one (1) year after the date on which it is originally incurred;

(b) that the total estimated Sub-Project costs shall be covered by a minimum of 20% from the Investment Enterprises' own resources, in cash or in kind;

(c) that the Sub-project is technically, commercially, financially viable; has been designed with due regard to health, safety, resettlement and environmental standards, and has a financial rate of return of not less than 13%.

(d) for Sub-projects giving rise to the displacement of persons (whether physical or economical), that the Investment Enterprise has prepared, and agreed to implement, a resettlement action plan, satisfactory to the Association, to improve or at least restore the livelihood and standards of living of the displaced persons. For purposes of this sub-paragraph, the term "displaced persons" means persons who are affected by the taking of land and other assets as part of the implementation of a Sub-Project which directly results in the: (a) involuntary relocation or loss of shelter; (b) loss of productive assets or access to productive assets; and (c) loss of income sources or means of livelihood, whether or not the displaced persons must move to another location.

3. Sub-loans may finance the cost of equipment, incremental permanent working capital, civil works (except housing), technical assistance, services and leasing arrangements. Sub-loans shall not finance the acquisition of, or rights to use land, military equipment or activities, consumer loans, and refinancing of existing loans or takeover loans.

4. No expenditures for goods, civil works or services required for a Sub-Project shall be eligible for financing out of the proceeds of the Credit:

(a) unless the Sub-loan shall have been approved by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the application and information required under paragraph 5(a) of this Schedule in respect of such Sub-loan; or

(b) unless the Sub-loan shall have been a Free-limit Sub-loan for which the Association has authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the request and information required under paragraph 5(b) below in respect of such Free-limit Sub-loan. For the purposes of this Agreement, a Free-limit Sub-loan shall be a Sub-loan which shall not exceed the sum of \$350,000 equivalent when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Credit for such Sub-Project, or such other sum as shall be established by the Association, from time to time, by notice to the Borrower; provided, however, that Sub-loans financing Sub-projects that will give rise to the displacement of persons (as the term is defined in paragraph 2(d) of this Schedule) and the first five (5) Sub-loans to be made by each PFI regardless of their individual or aggregated amounts, shall not be deemed to be a Free-limit Sub-loan and shall be subject to the provisions set forth in sub-paragraph (a) of this Section.

5. (a) When presenting a Sub-loan (other than a Free-limit Sub-loan) to the Association for approval, the Borrower shall furnish to the Association an application, in a form satisfactory to the Association, together with: (i) a description of the Sub-borrower and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Association shall reasonably request, including a copy of the relevant environmental impact assessment and action plan for displaced persons, when appropriate; provided, however,

that the first five (5) Sub-loans proposed to be made by each Golomt Bank and Trade and Development Bank, regardless of the amount thereof, shall not be eligible to be treated as free-limit Sub-loans and full documentation shall be furnished to the Association pursuant to this sub-paragraph for approval of such Sub-loans.

(b) Each request by the Borrower for authorization to make withdrawals from the Credit Account in respect of a Free-limit Sub-loan shall contain: (i) a summary description of the Sub-borrower and Sub-Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; and (ii) the terms and conditions of the Sub-loan. (c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Association on or before August 31, 2002.

6. Sub-loans shall be made on terms whereby the PFI shall obtain, by written contract with the Investment Enterprise, or by other appropriate legal means, rights adequate to protect the interests of the Association, the Borrower and the PFI, including the right to:

(a) require the Investment Enterprise to carry out and operate the Sub-Project with due diligence and efficiency and in accordance with sound technical, financial, resettlement, environmental and managerial standards, including the implementation of the action plan for displaced persons (as the term is defined in paragraph 2(d) of this Schedule) and to maintain adequate records;

(b) require that goods and works under contracts estimated to cost the equivalent of \$1,000,000 or more per contract shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II and paragraph 5 of Appendix 1 to the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the "Guidelines"), as further revised in paragraph 2., Part A, Section I of Schedule 3 to this Agreement.

(c) goods, services and works, other than those set out in paragraph (b) above, shall be purchased at a reasonable price following the established commercial procedures, account being taken also of other relevant factors such as: (i) in the case of goods, timely delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor; (ii) in the case of services, of their quality and the competence of the parties rendering them; and (iii) in the case of works, the technical quality and the competitive cost therefor, and with respect to all such contracts the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply;

(d) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods, works, plants and constructions and installations, as the case may be, included in the Sub-Project, the operation thereof, and any relevant records and documents;

(e) obtain all such information as the Association, the Borrower or the PFI shall reasonably request relating to the foregoing and to the administration, operations and financial conditions of the Investment Enterprise, and to the benefits to be derived from the Sub-Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with the PFI.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January, August 1996, September 1997 and January

1999, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Guidelines"), and (b) the provisions of the following Parts of this Section I.

2. (a) Paragraph 1.6 of the Guidelines is modified to read as follows: "1.6. The proceeds of the Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries. Consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall not be eligible to bid for such contracts, and the bidding documents shall so specify."

(b) The reference in paragraph 1.8 of the Guidelines to "member country" shall be deemed to be a reference to "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National and International Shopping

Goods under Part B.4 of the Project estimated to cost less than two hundred thousand dollars (\$200,000) equivalent per contract, up to an aggregate amount not to exceed four hundred and forty thousand dollars (\$440,000) equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to pre-qualify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract estimated to cost the equivalent of fifty thousand dollars (\$50,000) or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply; provided, however, that with respect to contracts procured under national and international shopping procedures estimated to cost above the said threshold the following procedures shall apply:

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

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

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Consultant Guidelines") and (b) the provisions of the following Parts of this Section II.

2. (a) The first sentence of Section 1.10 of the Consultant Guidelines is modified to read as follows: "Only firms that are registered or incorporated in, and individuals and personnel who are nationals of, Participating Countries shall be eligible to compete for services financed out of the proceeds of the Credit."

(b) The reference in subparagraph (a) of Section 1.10 of the Consultant Guidelines to "member country" shall be deemed to be a reference to "Participating Country".

Part B: Quality- and Cost-Based Selection

Except as otherwise provided in Part C of this Section, consultants' services, up to an aggregate amount not to exceed two hundred thousand dollars (\$200,000) equivalent, shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for technical assistance under Part B.4 of the Project estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract, up to an aggregate amount not to exceed one hundred and sixty five thousand dollars (\$165,000) equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least Cost Selection

Services for technical assistance under Part B.3 of the Project may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.6 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of two hundred thousand dollars (\$200,000) or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of

paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

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

3. Post Review With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

