

CONFORMED COPY

CREDIT NUMBER 3304-TA

Development Credit Agreement

(Privatization and Private Sector Development Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 20, 2000

CREDIT NUMBER 3304-TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 20, 2000, between THE UNITED REPUBLIC OF TANZANIA (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 has obtained or intends to obtain from various donors (hereinafter called the Cofinanciers) grants and loans to assist in cofinancing the Project on the terms and conditions set forth or to be set forth in various agreements (hereinafter called the Cofinancing Agreements) entered into or to be entered into between the Borrower and the Cofinanciers; 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, as amended through December 2, 1997, (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) "BOT" means the Bank of Tanzania established pursuant to the Bank of Tanzania Act, No. 12 of 1965 as amended;
- (b) "Consultative Body" means the consultative body comprised of the Borrower and private sector representatives to be established pursuant to Part D of the Project;
- (c) "Fiscal Year" means the fiscal year of the Borrower which commences on July 1 and ends on June 30 of the year immediately following;
- (d) "LART" means the Loans and Advances Realization Trust established pursuant to the Borrower's Loans and Advances Realization Trust Act, No. 6 of 1991;
- (e) "LART Tribunal" means the tribunal established by the Borrower pursuant to the Borrower's Loans and Advances Realization Trust Act, No. 6 of 1991, to adjudicate on disputes related to collection by LART of non-performing assets of the State-Owned Banks (as hereinafter defined);
- (f) "MOF" means the Borrower's Ministry of Finance;
- (g) "NBC 1997" means the National Bank of Commerce 1997 Limited established pursuant to the Borrower's National Bank of Commerce Act, No. 21 of 1997;
- (h) "Privatization Program" means the program to be carried out by the Borrower under Part A.1 of the Project;
- (i) "Project Implementation Manual" means the manual to be prepared by the Borrower under Part A.1 of Schedule 4 to this Agreement, as amended from time to time, and such term includes any schedules to the Project Implementation Manual;
- (j) "Project Account" means the account referred to in Section 3.03 (a) of this Agreement;
- (k) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 24, 1997 and November 13, 1997 between the Borrower and the Association;
- (m) "PSRC" means the Borrower's Presidential Parastatal Sector Reform Commission established and operating pursuant to the Borrower's Public Corporations (Amendment) Act No. 16 of 1993, as amended to date;
- (n) "Regulatory Body" means any regulatory body to be established pursuant to Part C of the Project;
- (o) "State-Owned Bank" means any financial institution in which the Borrower has an ownership interest;
- (p) "State-Owned Enterprise" means any enterprise, including a financial institution, in which the Borrower has an ownership interest and which has been

selected for privatization under Part A.1 of the Project, or liquidation under Part B.1 of the Project;

(q) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(r) "Implementing Agency" means PSRC, LART, a Regulatory Body or the Consultative Body;

(s) "Steering Committee" means the Borrower's Steering Committee for the Project referred to in Part B.5 of Schedule 4 to this Agreement; and

(t) "Tanzania Shillings" means the currency of the Borrower.

## 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 thirty-three million three hundred thousand Special Drawing Rights (SDR 33,300,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment, two separate special deposit accounts, namely the PSRC Special Account and the LART Special Account. Deposits into, and payments out of, each 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 canceled.

Section 2.03. The Closing Date shall be September 30, 2004 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) 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, 2010 and ending October 1, 2039. Each installment to and including the installment payable on October 1, 2019, 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 administrative, financial, and management practices, and shall provide, 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 carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultant 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. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall: (a) open and maintain an account in Tanzania Shillings in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into such account, in an amount equivalent to \$1,250,000, to finance the Borrower's contribution to the costs of the Project;

(c) thereafter deposit into the Project Account, on a quarterly basis, the amount required to replenish the Project Account up to the Borrower's contribution to the costs of the Project as specified in the annual work programs referred to in paragraph C.1 of Schedule 4 to this Agreement; and

(d) use the funds in the Project Account exclusively to finance expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) 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 Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on the said plan.

#### 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 Accounts 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, 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 and 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than June 30, 2001, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that the Public Corporations (Amendment) Act, No. 16 of 1993, and the Loans and Advances Realization Trust Act, No. 6 of 1991, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PSRC or LART, respectively, to perform any of their obligations under the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions: the Borrower has furnished the Project Implementation Manual in form and substance satisfactory to the Association; the Borrower has furnished to the Association an annual work plan, satisfactory to the Association,

covering the period January 1, 2000, through June 30, 2001; the Borrower has opened the Project Account and deposited therein the initial deposit referred to in Section 3.03 (b) of this Agreement; and the Public Corporations (Amendment) Act, No. 16 of 1993, has been further amended to extend the mandate of the PSRC to at least December 31, 2004.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance 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:

Ministry of Finance  
P.O. Box 9111  
Dar es Salaam  
Tanzania

Cable address:

TREASURY  
Dar es Salaam

Telex:

41329

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)

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.

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Oey Meesook

Acting Regional Vice President

## 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) Consultants' services:		100%
(a) Under Part A of the Project	16,600,000	
(b) Under Part B of the Project	3,050,000	
(c) Under Part C of the Project	3,150,000	
(d) Under Part D of the Project	200,000	
(2) Training:		90%
(a) Under Part A of the Project	200,000	
(b) Under Part B of the Project	50,000	
(c) Under Part C of the Project	1,450,000	
(d) Under Part D of the Project	100,000	
(3) Equipment and vehicles:		100% of foreign expenditures and 60% of local expenditures
(a) Under Part A of the Project	550,000	
(b) Under Part B of the Project	50,000	
(c) Under Part C of the Project	100,000	
(d) Under Part D of the Project	50,000	
(4) Incremental operating costs	4,600,000	90%
(5) Refunding of Project Preparation	1,500,000	Amount due pursuant to Section 2.02 (c)



	Advance		of this Agreement
(6)	Unallocated	1,650,000	
	TOTAL	33,300,000	

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; and

(c) the term "incremental operating costs" means the incremental expenditures incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs, and salaries of staff of a Regulatory Body, but excluding salaries of officials of the Borrower's civil service.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,300,000, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after May 1, 1999;

(b) payments made for expenditures under Categories (1) (c), (2) (c) and (3) (c) until the Borrower has established a Regulatory Body with functions and resources satisfactory to the Association; and

(c) payments made for expenditures under Categories (1) (d), (2) (d), and (3) (d) until the Consultative Body has been established with functions and resources satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and services under contracts costing in the case of: (i) consultant firms less than \$150,000 equivalent each; and (ii) individual consultants less than \$50,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in the carrying out of its privatization program and private sector development program.

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: Privatization Program

1. The carrying out of a program to divest the Borrower of about two hundred State-Owned Enterprises through the preparation and execution of divestiture transactions.

2. The carrying out of technical and policy studies (including studies on retrenchment, debt collection, establishment and initial operation of the Consultative Body, the establishment of a privatization trust fund, and pricing policies for each sector) to examine, and improve on, the general implementation of the Privatization Program.

3. The strengthening of the capacity of the Borrower to carry out the Privatization

Program through the provision of training and technical advisory services to PSRC and staff of PSRC and to other staff of the Borrower involved in the Privatization Program.

4. The carrying out of a public awareness and stakeholder communication program to improve the general public's understanding and acceptance of the objectives and benefits of the Privatization Program.

5. The carrying out a review of and drafting new legislation on insolvency and bankruptcy.

6. The carrying out of a review of the options for the establishment of an institutional framework for the regulation of private sector markets for the provision of infrastructure and utilities services.

7. Preparation of drafts of the laws and regulations required to give effect to recommendations of the review carried out under Part A.6 of the Project.

Part B: LART

1. (a) The collection of non-performing assets of the State-Owned Banks and liquidation of non-performing State-Owned Enterprises.

(b) The carrying out of a communication and public awareness program to explain to the general public the need for, and the proposed objectives of, LART and the LART Tribunal.

(c) The strengthening of the capacity of LART and the LART Tribunal to carry out their mandate through the provision of technical advisory services, staff training and acquisition of computer and other office equipment.

2. The carrying out of a review of the future roles and functions of LART and the LART Tribunal Project in order to determine the optimal strategy LART and the LART Tribunal.

3. The carrying out of a transition strategy for LART and the LART Tribunal based upon the recommendations of the review referred to in Part B.2 of the Project.

Part C: Institutional Framework for Infrastructure and Utilities Regulation

Establishment and maintenance of a Regulatory Body to regulate, as needed, private sector markets for the provision of infrastructure and utilities services. The carrying out of reviews of sector-specific laws and regulations, as well as implementation arrangements, if any. Design and implementation of a public awareness and communication program to explain to the general public the need for, and the objectives and mandate of, the Regulatory Body to be established pursuant to Part C.1 of the Project.

4. Strengthening the organizational and operational capacity of the Regulatory Body through the provision of technical advisory services, staff training, and the acquisition of computer and other equipment for the Regulatory Body.

Part D: Design of Business Environment Reform

Establishment and operation of a Consultative Body which shall be an independent forum for the discussion, consideration and addressing of constraints to investment, employment, output, exports and competitiveness in the private sector. Design and implementation of a public awareness and communication program to explain to the general public the need for, and the objectives of, and issues to be dealt with by, the Consultative Body.

5. Strengthening the capacity of the Consultative Body to carry out its mandate through: (a) the provision of technical advisory services; (b) provision of training to staff and members of the Consultative Body including, among other things, the holding of workshops, seminars and study tours; and (c) the carrying out of technical studies and information gathering activities to provide the Consultative Body with the information which it will require for the efficient carrying out of its functions and responsibilities.

\* \* \*

The Project is expected to be completed by March 31, 2004.

### SCHEDULE 3

#### Procurement

#### Section I. Procurement of Goods

##### Part A: General

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 and August 1996 and September 1997 and January 1999, (the Guidelines) and the following provisions of this Section.

##### 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) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

###### (b) 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.

##### Part C: Other Procurement Procedures

###### 1. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 2. Procurement from UN Agencies

Goods estimated to cost less than \$30,000 equivalent up to an aggregate amount not to exceed \$150,000 equivalent, may be procured from IAPSO under contracts awarded in accordance with the provisions of paragraph 3.9 of the Guidelines.

##### Part D: Review by the Association of Procurement Decisions

###### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify 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 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 for goods estimated to cost the equivalent of \$100,000 or more the procedures set forth in paragraphs 2 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

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 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultant services 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.

2. The following provisions shall apply to consultant services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications

Services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Least-cost Selection

Services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 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 \$150,000 or more, the procedures set forth in paragraphs 1, 2 (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 \$50,000 or more, but less than the equivalent of \$150,000, 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 \$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.

(d) The following shall be submitted to the Association for prior review and approval before the contracts to which they relate are awarded: (i) terms of reference for all consultant services; (ii) each single-source selection of consultants; (iii) the selection procedures, shortlists and requests for proposals, qualifying technical proposals, final evaluation reports and draft contracts in any case in which the estimated cost of the contract exceeds the equivalent of: (A) \$50,000 for an individual consultant, or (B) \$150,000 for a consulting firm; (iv) assignments of a critical nature (as reasonably determined by the Association) estimated to cost the equivalent of: (A) \$50,000 for an individual consultant, or (B) \$150,000 for a consulting firm, and (v) contract amendments raising the estimated cost of a contract over an amount equivalent to: (A) \$50,000 for an individual consultant, or (B) \$150,000 for a consulting firm. The related 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.

## SCHEDULE 4

### Implementation Program

#### Part A: Project Implementation Manual

1. The Borrower shall prepare and furnish to the Association, an implementation manual for the Project, satisfactory to the Association. The manual shall set out: (i) an implementation plan for the Project; (ii) operations procedures for PSRC and LART; (iii) details of all procurement and disbursement arrangements under the Project; (iv) performance indicators for the Project; (v) operations procedures for the Regulatory Body and Consultative Group, once they have been established; and (vi) such other administrative, financial and organizational arrangements as shall be required.

2. The Borrower shall carry out the Project in accordance with the procedures set out in the Project Implementation Manual, and shall not, except as the Association may otherwise agree, amend or waive any provision thereof.

#### Part B: Institutional and Regulatory Arrangements

1. (a) PSRC shall be responsible for the implementation of Part A of the Project.

(b) PSRC shall carry out its operations in accordance with its Operational Guidelines and Procedures Manual;

(c) For the purposes of said Part A, the Borrower shall, by January 31, 2000, adopt a policy framework and operational guidelines acceptable to the Association which shall provide for the application of consistent principles across divestiture transactions for the retrenchment of public enterprise employees;

- (d) The Borrower shall continue to maintain:
- (i) its privatization proceeds account in a form acceptable to the Association; and
  - (ii) PSRC as the administrator of said account.
- (e) The Borrower shall cause PSRC to:
- (i) have the account referred to in subparagraph (d) of this paragraph audited each fiscal year, 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, 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 and accounts and the audit thereof as the Association shall from time to time reasonably request.
- (f) The Borrower shall, by January 31, 2000, adopt a policy framework and operational guidelines, acceptable to the Association, for the treatment by PSRC of public enterprise debt which shall provide for consistent and timely debt resolution, as needed, for divestiture transactions involving the State-Owned Banks.

2. (a) LART shall be responsible for the implementation of Part B of the Project.

(b) For the purposes of said Part B, the Borrower shall:

- (i) by March 15, 2000, cause to be transferred in a timely manner to LART for collection such non-performing assets from NBC 1997 and other State-Owned Banks that need to be liquidated in order to complete the financial restructuring and sale of NBC 1997; and
- (ii) by June 30, 2001, (A) complete the review of the future role and functions of LART and the LART Tribunal required under Part B.2 of the Project, and (B) adopt, on the basis of the findings of the said review, an appropriate transition strategy for LART and the LART Tribunal as required under said Part B.2. of the Project.

3. (a) For the purposes of Part C of the Project, the Borrower shall:

(i) by July 31, 2000, adopt operational guidelines and procedures manual, acceptable to the Association, for the Regulatory Body responsible for the economic regulation of infrastructure and utilities in the Borrower's territories;

(ii) by October 31, 2000, adopt and commence the implementation of a capacity building and staff development program, acceptable to the Association, including the provision, as needed, of international technical advisory services; and

(iii) by June 30, 2001 adopt and undertake a program, acceptable to the Association, of educating the general public on the economic regulation of infrastructure and utilities.

(b) For the purposes of Part D of the Project, the Borrower shall facilitate the establishment of the Consultative Body and a small secretariat, in a form and with functions satisfactory to the Association, which shall include the preparation of progress reports on the work of the Consultative Body and the provision of accounting and auditing services thereof.

(c) The functions of the said secretariat shall of the Consultative Body.

4. (a) The Borrower shall maintain, in a form and with functions satisfactory to the Association, its Steering Committee. The Steering Committee shall be responsible for overseeing the supervision of the Project.

(b) Except as otherwise agreed upon between the Borrower and the Association, the chairman of the Steering Committee shall be the Principal Secretary of MOF, and its membership shall include: (i) the Permanent Secretary in the Borrower's Ministry of Planning and Parastatal Reform; (ii) the Permanent Secretary, Ministry of Justice and Constitutional Affairs; (iii) the Chairman of PSRC; (iv) the Chief Administrator of LART; and (v) the Governor of BOT.

(c) PSRC shall serve as the secretariat to the Steering Committee, which shall meet at least once each quarter to review progress made in the carrying out of the Project and make appropriate decisions on Project implementation.

5. MOF shall be responsible for the overall coordination of the implementation of the Project and shall, to this end, ensure that quarterly reports are promptly: (i) prepared by each Implementing Entity for its respective component or components of the Project, (ii) discussed by the Steering Committee, and (iii) thereafter forwarded to the Association.

Part C: Annual Work Plans and Reviews

1. The Borrower shall, as from January 1, 2000:

(a) prepare and furnish, or cause to be prepared and furnished, to the Association, by March 31 in each year, a draft annual work plan for each Part of the Project for the following Fiscal Year.

(i) Each such plan shall include but not be limited to: (i) an evaluation of consultants' performance; and

(ii) a detailed training plan for the following Fiscal Year, taking into account experience in the previous Fiscal year;

(b) not later than one month thereafter, review with the Association such annual work plan;

(c) not later than June 30 in each year, furnish, or cause to be furnished, to the Association the finalized work plan acceptable to the Association; and

(d) thereafter, carry out the Project in accordance with the finalized work plan.

2. The Borrower 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 August 31 in each year, 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 November 30 in each year, 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's views on the

matter.

## SCHEDULE 5

### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, with respect to: (i) the PSRC Special Account, Categories (1) (a), (c), (d), (2) (a), (c), (d), (3) (a), (c), (d) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; (ii) the LART Special Account, Categories (1) (b), (2) (b) and (3) (b) set forth in the said table;

(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, with respect to: (i) the PSRC Special Account, an amount equivalent to \$2,000,000; and (ii) the LART Special Account, an amount equivalent to \$500,000, to be withdrawn from the Credit Account and deposited into the PSRC Special Account or, as the case may be, the LART Special Account, pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 a 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 concerned such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a 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 any 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 any 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account concerned;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) 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 concerned 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 any 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 any 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.

