

CONFORMED COPY

LOAN NUMBER 3551 SEY

LOAN AGREEMENT

(Environment and Transport Project)

between

REPUBLIC OF SEYCHELLES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 15, 1993

LOAN NUMBER 3551 SEY

LOAN AGREEMENT

AGREEMENT, dated January 15, 1993, between REPUBLIC OF SEYCHELLES (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower has prepared an environmental action plan for the management and preservation of its environment (hereinafter referred to as the Environmental Management Plan of Seychelles or EMPS);

(C) by agreement dated January 15, 1993 (the GET Grant Agreement), the Bank, acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET), has agreed to make a grant (the GET Grant) to the Borrower in an aggregate principal amount equivalent to SDR 1,300,000 to support the EMPS by financing Part B of the Project on the terms and conditions set forth in the GET Grant

Agreement; and

(D) Part A.1 of the Project will be carried out by Public Utilities Corporation (PUC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PUC a portion of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and PUC;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "DCA" means the Borrower's Directorate of Civil Aviation;

(b) "DOE" means the Division of Environment of MEPER;

(c) "LTD" means the Land Transport Division of the Borrower's Ministry of Tourism and Transport;

(d) "MEPER" means the Borrower's Ministry of Environment, Economic Planning and External Relations;

(e) "Project Agreement" means the agreement between the Bank and PUC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "SFA" means the Seychelles Fishing Authority;

(g) "SFA Memorandum of Understanding" means the Memorandum of Understanding to be prepared and agreed upon by MEPER and SFA, pursuant to Section 3.04 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SFA Memorandum of Understanding.

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

(i) "SR" or "Seychelles rupee" refers to the Borrower's currency; and

(j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PUC pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time,

and such term includes all schedules to the Subsidiary Loan Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of four million five hundred thousand dollars (\$4,500,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1997, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. PUC is designated as representative of the Borrower in respect of Part A.1 of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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:

- (i) shall carry out Parts A.2 and A.4 of the Project through MEPEP, Part A.3 thereof through SFA, Parts C.1 and C.3 thereof through LTD, and Part C.2 thereof through DCA/LTD, with due diligence and efficiency, in conformity with appropriate administrative, financial and technical practices, and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause PUC to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PUC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Parts A.2 through A.4 and C of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement and the SFA Memorandum of Understanding.

(c) For purposes of Part A.1 of the Project, the Borrower shall relend to PUC a part of the proceeds of the Loan, not exceeding the amount of the Loan allocated thereto under the Project, under a subsidiary loan agreement to be entered into between the Borrower and PUC, and under terms and conditions which shall have been approved by the Bank, including: (i) an annual interest rate of 8 percent on the disbursed and outstanding amount of the loan, and a repayment period of thirteen years including a grace period of three years; and (ii) provisions requiring the Borrower to bear the foreign exchange risks involved in the transaction.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A.2 through A.4 and C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04 through 9.09 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 Part A.1 of the Project shall be carried out by PUC pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall cause MEPEP and SFA to prepare and agree upon a Memorandum of Understanding, giving details of the implementation arrangements for the preparation of management plans under Part A.3 of the Project.

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 Parts A.2 through A.4 and C 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 Bank;
- (ii) furnish to the Bank 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information

concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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 Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) PUC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that PUC will be able to perform its obligations under the Project Agreement.

(c) The Public Utilities Corporation Act (Act 25 of 1985) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PUC to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PUC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) 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 shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (b), (c) and (d) 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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the National Coordinator referred to in paragraph 1 of Schedule 5 hereto has been designated; and

(b) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and PUC.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by PUC, and is legally binding upon PUC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PUC, and is legally binding upon the Borrower and PUC in accordance with its terms.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Minister of Economic Planning 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:

Minister of Environment, Economic Planning
and External Relations
P.O. Box 656
Mont Fleuri
Republic of Seychelles

Telefax:

248 24845

Telex:

997 2260 MINAE SZ

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF SEYCHELLES

By /s/ Marc Marengo
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Francisco Aquirre-Sacasa
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works:		100% of foreign expenditures and 75% of local expenditures
(a) under Part A.1 of the Project	150,000	
(b) under Part C.1 of the Project	1,750,000	
(c) under Part C.2 of the Project	100,000	
(d) other	100,000	
(2) Equipment, materials and supplies:		100% of foreign expenditures and 75% of local expenditures
(a) under Part A.1 of the Project	100,000	
(b) under Part A.3 of the Project	150,000	
(c) under Part C.1 of the Project	50,000	
(d) other	400,000	
Amount of the		
Category	Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Training	100,000	100% of foreign expenditures and 50% of local expenditures
(4) Technical assistance:		50% of local expenditures for services of consultants domiciled within
(a) under Part A.3 of the Project	350,000	

(b) other	250,000	the territory of the Borrower and 100% of foreign expenditures for services of other consultants
(5) Consultants' services:		50% of local expenditures for services of consultants domiciled within the territory of the Borrower and 100% of foreign expenditures for services of other consultants
(a) under Part A.3 of the Project	125,000	
(b) other	475,000	
(6) Artisan compensation and reinstallation	100,000	100% of foreign expenditures and 50% of local expenditures
(7) Unallocated	300,000	
	4,500,000	
TOTAL	=====	

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 "artisan compensation and reinstallation" means compensation and other payments incurred in the retraining or reinstallation of licensed turtle shell artisans, whose businesses are adversely affected by the ban on the capture of hawksbill turtles and related activities under the Project.

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

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

(b) expenditures under categories (1) (a) and (2) (a) of the table in paragraph 1 of this Schedule, unless the environmental impact assessment referred to in paragraph 5 of Schedule 5 has been conducted;

(c) expenditures under categories (2) (b), (4) (a) and (5) (a) of the table in paragraph 1 of this Schedule, unless the SFA Memorandum of Understanding has been duly prepared and agreed upon, and a copy thereof transmitted to the Bank;

(d) expenditures under categories (1) (b) and (2) (c) of the table in paragraph 1 of this Schedule, unless the road rehabilitation specialist referred to in paragraph 4 of Schedule 5 hereto has been duly recruited; and

(e) expenditures under category (1) (c) of the table in paragraph 1 of this Schedule, unless the landing charges referred to in paragraph 6 of Schedule 5 to this Agreement have been increased to SR 30 per 1000 kg or part thereof.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support environmental programs in resource management, biodiversity conservation and marine pollution control, assist with implementation of the EMPS, and improve the basis for sustained tourism growth, while preserving or restoring environmentally sensitive areas.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Environment (Resource Management Program)

1. Praslin Water Supply Phase II
 - o construction of two additional intakes near existing intakes at Fond B'Offay and Nouvelle Decouverte.
2. Water Resources/Water management Studies of Outer Islands
 - o study of water resources and water management requirements of seven outer islands: Alphonse, Assomption, Astove, Coetivy, Desroches, Farquhar and Providence.
 - o implementation of water resources monitoring program.
3. Preparation of Marine Resources Management Plans
 - o preparation and implementation of plans for the management of marine fisheries resources, especially tuna, reef fishes, demersal fishes and lobsters.
 - o preparation of education and information materials.
4. DOE Organizational Study
 - o study of the organizational structure, including proposals for an improved structure for DOE, an assessment of coordination and monitoring requirements for environmental programs, and staffing and training proposals.

Part B: Environment (Biodiversity Conservation and Marine Pollution Abatement Program)

1. Aldabra Ecosystem Restoration Program
 - o rehabilitation of scientific research station.
 - o strengthening of scientific and managerial personnel.
 - o eradication of feral goats.
 - o preparation of long term management plan for Aldabra.
2. Protection of Sea Turtles
 - (a) Green turtle protection program:
 - * stock assessment, and preparation of a plan for the achievement and maintenance of a sustainable yield, of green turtles.
 - (b) Hawksbill turtle protection program:
 - * turtle ranching feasibility study.
 - * program (legislative measures, publicity campaigns, etc.) to control the supply and

demand of turtle shells.

- * turtle trade compensation study.
- * compensation, retraining, and reinstallation program for turtle shell artisans.

3. Abatement of Marine Pollution

- o feasibility study and engineering designs for the construction of facilities to receive and dispose of waste from commercial and fishing vessels at the Port of Victoria.

Part C: Transport

1. Praslin Road Improvement Program

- o upgrading to paved status of Anse Boudin, Anse Consolation and Anse Kerlan road segments on Praslin, totalling 13.3 km.

2. Praslin Airport Improvements

- o extension and paving of parking apron.
- o resurfacing of existing runway.

3. Road Traffic Safety Program

- o diagnostic and evaluation study of current situation, including an evaluation of economic and social costs of road accidents, and a proposed action plan to improve traffic safety.
- o introduction of road signs and markings, installation of crash barriers, and improvement of street lighting.
- o construction of 3-km footpath along Cascade Road to separate pedestrian and vehicular traffic.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 15 and August 15, beginning August 15, 1998 through August 15, 2007	225,000.00
On February 15, 2008	225,000.00

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. To the extent practicable, contracts under Parts C.1 and C.2 shall be grouped into bid packages estimated to cost the equivalent of \$2,200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of Seychelles 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

Contracts for road safety and traffic management measures, up

to an aggregate amount equivalent to \$200,000, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$100,000 or more, and goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contracts required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contracts.

(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 contracts are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contracts together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower in carrying out Parts A.2 through A.4 and C, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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 5

Implementation Program

1. The Borrower shall designate a National Coordinator within MEPER to be responsible for the overall coordination of the EMPS, including implementation of this Project.

2. The Borrower shall make annual budgetary allocations for road maintenance and to finance the operational budget of LTD, that are at least equal in real terms to the corresponding allocation approved for fiscal year 1992.

3. The Borrower shall make annual budgetary allocations to finance the operational budget of DOE, that are at least equal in real terms to the corresponding allocation approved for fiscal year 1992.

4. The Borrower shall cause LTD to recruit a road rehabilitation specialist to be posted on a full time basis on Praslin to manage the road maintenance program under Part C.1 of the Project.

5. The Borrower shall have an environmental impact assessment conducted in relation to Part A.1 of the Project, in order to

determine, in particular, any possible impact thereof on the Vallee de Mai National Park.

6. The Borrower shall, from time to time, revise the landing charges for aircraft using the aerodrome at Praslin, with a view to ensuring that revenues deriving therefrom are at all times at least equal to the operating costs of the aerodrome.

7. The Borrower shall, not later than December 31, 1993, transfer to PUC all water and water-related assets operated by PUC and owned by the Borrower.

8. (a) Not later than December 31, 1994, the Borrower and the Bank shall undertake, in conjunction with PUC, a mid-term review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Borrower and PUC of their respective obligations under this Agreement, the Project Agreement and the Subsidiary Loan Agreement, including, but not limited to: (i) the impact on the Praslin economy and environment of basic infrastructure investments in water supply, road rehabilitation and airport improvements; and (ii) progress achieved by PUC in the furtherance of its financial objectives, as set forth in the rate of return and other financial covenants under Section 4.02 of the Project Agreement.

(b) Not later than one month prior to such review, the Borrower shall furnish to the Bank, for its comments, a report, in such detail as the Bank shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the specific issues due to be addressed during such review.

(c) Following such review, the Borrower shall act promptly and diligently, in order to take, or assist PUC in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist PUC in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Authorized Allocation" means an amount of \$300,000 to be withdrawn from the Loan 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 Bank 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 Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for

deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank (A) provide such additional evidence as the Bank may request, or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

