

CONFORMED COPY

CREDIT NUMBER 2554 GM

Development Credit Agreement

(Public Works and Capacity Building Project)

between

THE REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 11, 1994

CREDIT NUMBER 2554 GM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 11, 1994, between the REPUBLIC OF THE GAMBIA (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 Project will be carried out with the Borrower's assistance by the Gambian Agency for the Management of Public Works (GAMWORKS), a company limited by guarantee and incorporated under the Companies Act, 1955 of the Borrower;

(C) the Borrower will, as part of such assistance, make available to GAMWORKS the proceeds of the Credit as hereinafter provided;

(D) the Borrower intends to obtain other loans to assist in financing the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the Project Agreement between the Association and GAMWORKS 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;

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

(c) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;

(d) "Project Preparation Advance" means the project preparation advance granted by the Association pursuant to an exchange of letters dated January 4, 1993 between the Borrower and the Association;

(e) "Memorandum and Articles" means the Memorandum and Articles of Association of GAMWORKS dated September 13, 1993 as amended to the date of this Agreement;

(f) "Framework Agreement" means the agreement dated September 15, 1993 between the Borrower and GAMWORKS which provides for the proceeds of the Credit to be made available by the Borrower to GAMWORKS under terms and conditions which have been approved by the Association including the terms set forth in the Manual of Procedures;

(g) "Dalasi" means currency of the Borrower;

(h) "sub-project" means a specific development project to be carried out by GAMWORKS for a beneficiary utilizing the proceeds of the Credit;

(i) "beneficiary" means an entity for which GAMWORKS carries out a sub-project;

(j) "sub-project eligibility criteria" means criteria satisfactory to the Association referred to in paragraph 3 (b) of Schedule 1 to this Agreement and Section 2.01 (b) of the Project Agreement;

(k) "Manual of Procedures" means GAMWORKS' Manual of Procedures approved by the Borrower and the Association as of the date of this Agreement for purposes of the Project; and

(l) "Staff Service Rules" means GAMWORKS' Staff Service Rules approved by the Borrower and the Association as of the date of this Agreement for purposes of the Project.

## 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 seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain, or cause to be opened and maintained, in dollars a special deposit account in a commercial or merchant bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

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

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

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15, commencing April 15, 2004 and ending October 15, 2033. Each installment to and including the installment payable on October 15, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per

capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its obligations under the Development Credit Agreement, shall cause GAMWORKS to perform in accordance with the provisions of the Project Agreement, the Framework Agreement and the Manual of Procedures all the respective obligations of GAMWORKS therein set forth, shall take and cause to be taken all action, including the provisions of funds, facilities, services and other resources, necessary or appropriate to enable GAMWORKS to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall: (i) provide in its budget amounts sufficient to cover its counterpart contributions to the costs of the Project; (ii) open and maintain in Dalasi in a commercial or merchant bank a project account (the Project Account) in the name of GAMWORKS to be used by GAMWORKS exclusively for purposes of the Project; and (iii) deposit into the Project Account (A) an initial amount of \$80,000 equivalent, and (B) the remaining part of its counterpart contributions, quarterly in advance, in the amounts determined by the Borrower and the Association.

(c) The Borrower shall make the proceeds of the Credit available to GAMWORKS under the Framework Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule to the Project Agreement.

Section 3.03. The Borrower shall: (i) no later than August 31, 1995, carry out jointly with the Association and GAMWORKS a midterm review of the Project to assess (A) the overall progress made in carrying out the Project, including its costs; (B) the performance of GAMWORKS and other entities participating in the Project; (C) the results of the technical studies carried out under the Project; (D) the periodicity of the audits required under Section 4.01 of this

Agreement; and (E) the extent to which the objectives of the Project have been achieved; and (ii) promptly thereafter carry out, or cause to be carried out, the recommendations of the midterm review to the satisfaction of the Association.

#### ARTICLE IV

##### Financial and other Covenants

Section 4.01 (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the consolidated audit report for the fiscal year in which the last withdrawal from the Credit Account was made.
- (b) The Borrower shall:
- (i) cause the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each quarter to be audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish, or cause to be furnished, to the Association as soon as available, but in any case not later than (A) one month after the end of each such quarter, with respect to the quarterly reports, and (B) three months after the end of each such fiscal year, with respect to the consolidated annual reports, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such quarter or fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; 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.

#### ARTICLE V

##### Remedies of the Association

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

- (i) The Borrower or GAMWORKS shall have failed to perform any of their respective obligations under the Project Agreement, the Framework Agreement or the Manual of Procedures;
- (ii) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower or GAMWORKS will be able to perform their respective

obligations under the Project Agreement, the Framework Agreement or the Manual of Procedures;

- (iii) a change shall have been made in the Memorandum and Articles, the Manual of Procedures or the Staff Service Rules so as to affect materially and adversely the ability of GAMWORKS to perform any of its obligations under the Project Agreement or the Framework Agreement;
- (iv) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GAMWORKS or for the suspension of the operations of GAMWORKS; and
- (v) subject to paragraph (b) of this Section:
  - (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
  - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

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

(a) any event specified in Section 5.01 (a) (i) of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in Section 5.01 (a) (iii) and (iv) of this Agreement shall occur; and

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

## ARTICLE VI

### Effective Date; Termination

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

(a) the Borrower has deposited into the Project Account an initial amount of \$80,000 equivalent pursuant to Section 3.01 (b) (iii) of this Agreement;

(b) GAMWORKS has set up, and put into operation, an information recording/accounting system satisfactory to the Association;

(c) GAMWORKS has employed independent auditors acceptable to the Association to carry out for a period of at least three years the financial, technical and managerial audits required under the



Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Katherine Marshall  
Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Public works	4,400,000	90% of amounts disbursed for sub-projects approved through December 31, 1994 and 80% of amounts disbursed for sub-projects approved thereafter
(2) Consultant services including design and supervision	660,000	90% for sub-projects approved through December 31, 1994 and 80% for sub-projects approved thereafter
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Operating costs of GAMWORKS	600,000	100%
(4) Technical assistance, Project monitoring and audits	1,300,000	100%
(5) Goods	140,000	100%
(6) Refunding of Project Preparation Advance	420,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	380,000	



TOTAL 7,900,000

2. For the purposes of this Schedule, the term "operating costs" means incremental recurring costs excluding Civil Service salaries but including the following incremental costs:

- (i) staff expenses and overnight allowances;
- (ii) cost of operating vehicles, plant and equipment required for the Project;
- (iii) maintenance of Project equipment, vehicles, and office facilities; and
- (iv) Project-related transport costs.

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; and

(b) payments made for expenditures for a sub-project unless the sub-project has met sub-project eligibility criteria satisfactory to the Association, including the payment by the beneficiary of: (i) not less than 10% of the total cost of a sub-project approved through December 31, 1994, and (ii) not less than 20% of the total cost of a sub-project approved thereafter.

4. The Association may, under such terms and conditions as the Association shall specify by notice to the Borrower, require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) expenditures under contracts for goods, works and services not exceeding \$40,000 equivalent, and (ii) operating costs.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) building local capacity through private sector development and public reform; (ii) undertaking the rehabilitation and maintenance of infrastructure; (iii) reducing current unemployment through the creation of jobs in the public works and construction sector; (iv) demonstrating the feasibility of labor-intensive construction practices; and (v) alleviating poverty.

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: Investment Components

1. Rehabilitation and maintenance of public infrastructure in urban areas and on the road network through labor-intensive schemes carried out by local contractors employed by GAMWORKS under contracts satisfactory to the Association, including:

- (a) public works program consisting of:
  - (i) construction, rehabilitation and maintenance of street and road drainage and of small bridges;
  - (ii) construction, repairs, rehabilitation and maintenance of street and road pavement and shoulders;
  - (iii) construction, rehabilitation and maintenance of classrooms, health and other public facilities;
  - (iv) street cleaning and garbage collection;

- (v) water and soil conservation works;
  - (vi) construction, rehabilitation and maintenance of recreation areas and sports facilities; and
  - (vii) tree planting activities; and
- (b) a public services program aimed at demonstrating the cost-efficiency and sustainability of labor-intensive schemes consisting of:
- (i) cleaning of streets, drainage and sewerage network and other public infrastructure and facilities and removal of accumulated waste; and
  - (ii) collection and transport of waste to concentration points including transport of waste to final deposits by local government authorities using trucks and loaders.

Part B: Capacity Building Component

1. Strengthening the technical and managerial capacity of small- and medium-scale building and construction firms carrying out sub-projects under the Project including a scheme for training domestic contractors and consultants consisting of:

- (i) preparation of an action plan for such training;
- (ii) training of entrepreneurs and their administrative staff and local consultants in business administration and financial management;
- (iii) training of consultants in the techniques of works and services and in the organization of effective Project activities;
- (iv) training of foremen in work organization procedures;
- (v) technical training courses to improve the skill of basic workers; and
- (vi) the carrying out of training works in the main Project activities.

2. Provision of technical assistance to Project beneficiaries and the strengthening of community participation in the Project including:

- (i) assisting beneficiaries to prepare feasibility studies and Project technical proposals;
- (ii) dissemination of information on Project works and activities to neighborhood committees, day laborers and micro-entrepreneurs to increase public awareness and support for the Project; and
- (iii) preparation of an action plan for community participation.

Part C: Study Components

1. Development of a comprehensive buildings and road maintenance management policy for the public buildings and highway sector, including:

- (i) the preparation of an appropriate action plan;
- (ii) the development of appropriate policies and procedures for the progressive use of private contractors in place of force account in road maintenance works; and

- (iii) development of an appropriate highway maintenance strategy and investment program including the adoption of life cycle economic evaluation of investments and recurrent cost analysis.

2. Development of the construction industry and the establishment of a dialogue between public agencies and the construction sector, including:

- (i) preparation of an appropriate action plan;
- (ii) the establishment of institutional arrangements:
  - (A) to provide, on a permanent and sustainable basis, technical and managerial training to contractors, and (B) to provide educational schemes in the construction trades;
- (iii) the establishment of effective associations of contractors and consultants;
- (iv) strengthening of construction enterprises; and
- (v) a review, and revision, as necessary, of relevant enactments affecting the construction industry.

3. The carrying out of a study of the Borrower's procurement policies and practices including the preparation of an action plan for the carrying out of needed reforms and the development and implementation of sound and efficient procurement practices.

\* \* \*

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

### SCHEDULE 3

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the

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

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

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

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

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

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

- (b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

- (b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the

Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to subparagraph 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.

