

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3472 KH

Development Credit Agreement

(Flood Emergency Rehabilitation Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 28, 2001

CREDIT NUMBER 3472 KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 28, 2001, between KINGDOM OF CAMBODIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 October 6, 1999), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraph (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. “Participating Country: means any country that the Association determines meets the requirements set forth in Section II of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and “Participating Countries” means collectively, all such countries”; and

- (b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

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

- (a) “Implementing Agencies” and the acronym "IAs" mean collectively the Borrower's Ministry of Education, Youth and Sports, Ministry of Public Works and Transport, Ministry of Rural Development, and Ministry of Water Resources and Meteorology, and such term includes any successor thereto, and the term "Implementing Agency" and the acronym "IA" mean any one of them.
- (b) “Floods” means the floods that occurred in the Borrower’s territory from July to December 2000.
- (c) “MEF” means the Borrower’s Ministry of Economy and Finance, and such term includes any successor thereto.
- (d) “MOP” means the Borrower’s Ministry of Planning, and such term includes any successor thereto.
- (e) “NBC” means the National Bank of Cambodia, the Borrower’s central bank and any successor thereto.
- (f) “Operational Manual” and the acronym "OM" mean the manual referred to in paragraph 2(a) of Schedule 4 to this Agreement as the same may be amended from time to time pursuant to the provisions set forth in paragraph 2(b) of Schedule 4 to this Agreement.
- (g) “National Project Coordination Committee" and the acronym "NPCC” mean the inter-Ministerial committee referred to in paragraph 1(f) of Schedule 4 to this Agreement.

- (h) "Project Implementation Units" and the acronym "PIUs" mean collectively the following administrative units established and operating within the relevant IA: (A) PMO-MOWRAM, Ministry of Water Resources and Meteorology, (B) PIU2-MOPWT, Ministry of Public Works and Transport, (C) PMU-MOEYS, Ministry of Education, Youth and Sports, and (D) PMO-MRD, Ministry of Rural Development.
- (i) "Project Implementation Unit2-Ministry of Public Works and Transport" and the acronym "PIU2-MOPWT" mean the unit established within the Ministry of Public Works and Transport for the purpose of implementing activities under Part A.(1) of the Project.
- (j) "Project Monitoring and Coordination Unit" and the acronym "PMCU" mean the unit established within the Ministry of Planning and referred to in paragraph 1(g) of Schedule 4 to this Agreement.
- (k) "Project Management Office-Ministry of Rural Development" and the acronym "PMO-MRD" mean the office established within the Ministry of Rural Development for the purpose of implementing activities under Part A (2) of the Project.
- (l) "Project Management Office-Ministry of Water Resources and Meteorology" and the acronym "PMO-MOWRAM" mean the office established within the Ministry of Water Resources and Meteorology for purposes of implementing activities under Part A (3) of the Project.
- (m) "Project Management Unit-Ministry of Education, Youth and Sport" and the acronym "PMU-MOEYS" mean the office established for purposes of implementing activities under Part A (4) of the Project.
- (n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.
- (o) "World Bank Division" and the acronym WBD mean the division established within the Ministry of Economy and Finance and referred to in Section 1 (e) of Schedule 4 to this Agreement.

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 twenty-seven million and one hundred thousand Special Drawing Rights (SDR 27,100,000).

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 works, 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 a special deposit account in NBC on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 May and November 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 May 1st and November 1st, commencing May 1st, 2011 and ending November 1st, 2040. Each installment to and including the installment payable on November 1st, 2020 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 Association 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 Part A of the Project through PIUs, Part B of the Project through PIUs, PMCU and WBD, and Part C of the Project through PMCU, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical, environmental and social 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, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on 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 Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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 statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Association has received the audit 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 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 September 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 (l) of the General Conditions, the following additional event is specified, namely, that the Operational Manual shall have been amended, suspended, abrogated or waived so as to affect, in the Association's opinion, materially and adversely the ability of the Borrower to carry out 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 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, namely that the Borrower shall:

(a) have adopted the Operational Manual pursuant to the provisions of paragraph 2 (a) of Schedule 4 to this Agreement; and

(b) have established a Financial Management System satisfactory to the Association.

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 Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economy and Finance
Street 92, Sang Kat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Facsimile
855-23-427798

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
Facsimile	
INDEVAS	248423 (MCI) or
(202) 477-6391	64145 (MCI)
Washington, D.C.	

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.

KINGDOM OF CAMBODIA

By

Eng

/S/ Roland

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Porter

/S/

Ian C.

Authorized Representative

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:

<u>Category</u>	Amount of the Credit Allocated (Expressed in <u>SDR</u>)	% of Expenditures to be Financed
(1) Works	21,360,000	85%
(2) Goods	1,160,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally)
(3) Consultants' services and training	2,940,000	100%
(4) Incremental operating costs:		
(a) Audits of Project Accounts	80,000	100%
(b) Other	780,000	90%
(5) Unallocated	780,000	
TOTAL	<u>27,100,000</u> =====	

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 "other incremental operating costs" means the incremental operating costs incurred by each of the PIUs, PMCU and WBD on account of (i) staff travel costs and allowances, (ii) maintenance of vehicles and equipment, (iii) banking charges, and (iv) supplies and utilities incurred as a result of the Project.

3. Notwithstanding the provision of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding SDR 5,420,000 may be made in respect of Categories under categories (1), (2), (3) and (4)(a) set forth in the table in paragraph 1 above on account of payments made for expenditures before that date but after December 15, 2000

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$100,000 equivalent; (b) goods under contracts costing less than \$100,000 equivalent; (c) consultants' services under contracts with firms costing less than \$100,000 equivalent; (d) consultants' services under contracts with individuals costing less than \$50,000 equivalent; (e) training; and (f) incremental operating costs all 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 to: (a) rehabilitate economic and social infrastructure damaged by the Floods, and (b) reduce the vulnerability of the country to future flood damages by strengthening the Borrower's capacity to respond to floods and other natural disasters.

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: Carrying out rehabilitation, reconstruction and repair of:

- (1) national and provincial roads,
- (2) rural infrastructure,
- (3) flood control and irrigation systems, and
- (4) primary and secondary schools, damaged by the Floods, including the provision of goods and services therefor.

Part B: Strengthening the PIUs, PMCU and WBD the Project management, implementation, coordination, monitoring and auditing of accounts including provision of technical assistance and equipment therefor.

Part C: Development of a long-term strategy aimed at reducing the country vulnerability to floods, including provision of technical assistance therefor.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with 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, September 1997 and January 1999 (the Guidelines), subject to the provisions of the following Parts of this Section I.

2. In paragraph 1.6 and 1.8 of the Guidelines, the reference to “Bank member countries” and “member country” shall be deemed to be references, respectively, to “Participating countries” and “Participating country”.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising

The invitation to pre-qualify or bid for each contract estimated to cost \$5,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(c) Grouping of Contracts

To the extent practicable, contracts for the procurement of vehicles and equipment shall be grouped in bid packages of no less than \$100,000 each respectively.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Except as provided for in paragraph 5, Part C of this Section, works estimated to cost \$100,000 or more but less than \$1,000,000 equivalent per contract shall be procured under contract awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines

2. International Shopping

Procurement of Global Positioning System and Topography Survey equipment up to an aggregate amount not to exceed \$61,000 equivalent shall be awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping:

Goods including school and office furniture estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$830,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from United Nations Agencies

Vehicles and office equipment may be procured from the Inter-Agency Procurement Services Office of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$9,144,000 equivalent, shall be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three qualified domestic contractors in response to written invitation. Such invitation should

include a detailed description of the works, including basic specifications, required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for goods procured pursuant to the provisions of paragraph 1 of Part B of this Section; (b) each contract for works procured pursuant to the provisions of paragraph 1 of Part C of this Section; and (c) the first contract for goods and works procured under each component of the Project pursuant to the provisions of paragraphs 2, 3, 4 and 5 of Part C of this Section, 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

1. Consultants' services shall be procured in accordance with 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), subject to the provisions of the following Parts of this Section II.

2. In paragraph 1.6 and 1.8 of the Guidelines, the reference to “Bank member countries” and “member country” shall be deemed to be references, respectively, to “Participating countries” and “Participating country”.

Part B: Quality and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants’ 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.

Part C: Other Procedures for the Selection of Consultants

1. Quality Based Selection

Services for design and supervision of works under Part A of the Project estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,590,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.2 and 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications

Consulting services to: (i) assist the Borrower in carrying out the study on long-term strategy to reduce the country’s vulnerability to floods under Part C of the Project, estimated to cost less than \$40,000 equivalent per contract and (ii) give training for management staff in rural infrastructure component, estimated to cost less than \$47,000 equivalent per contract shall be awarded to consulting firms in accordance with the provisions of paragraphs 3.7 of the Guidelines.

3. Selection based on Least-Cost Selection

Procurement of services from audit firms for Project audit up to an aggregate amount not to exceed \$100,000 equivalent shall be procured in accordance with the provisions of paragraph 3.6 of the Guidelines

4. Single Source Selection

Services of consulting firms for the carrying out of the preparation of the financial management system under Part B of the Project estimated to cost less than

\$10,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

5. Individual Consultants

Services for construction design, supervision and monitoring of activities under Part A of the Project and services for Project management, including construction design, appraisal, operation, maintenance, supervision, procurement and accounting under Part B of the Project, not exceeding in the aggregate \$1,780,000 equivalent, 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

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, including terms of reference, 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 \$100,000 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 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 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

1. The Borrower shall :

(a) maintain the PMO-MRD throughout the period of implementation of the Project, headed by a qualified and experienced officer and assigned with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to carry out activities for rural infrastructure rehabilitation under Part A (2) of the Project;

(b) maintain PIU2-MOPWT throughout the period of implementation of the Project, headed by a qualified and experienced officer and assigned with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to carry out activities for national and provincial roads rehabilitation under Part A (1) of the Project;

(c) maintain the PMO-MOWRAM throughout the period of implementation of the Project, headed by a qualified and experienced officer and assigned with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to carry out activities for flood control and irrigation systems under Part A (3) of the Project;

(d) maintain the PMU-MOEYS throughout the period of implementation of the Project, headed by a qualified and experienced officer and assigned with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to carry out activities for repair of primary and secondary schools under Part A (4) of the Project;

(e) maintain the WBD throughout the period of implementation of the Project, assigned with such functions and responsibilities and with competent staff in adequate numbers, including procurement specialist and financial management specialists, as shall be necessary to: (i) assist PIUs and PMCU in procurement and disbursement procedures, and (ii) carry out activities under Part B of the Project;

(f) maintain the NPCC throughout the period of implementation of the Project, chaired by the Minister of Planning, and with representatives of all IAs, with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to: (1) set policies and guidelines for implementation and monitoring of the Project, (2) ensure coordination between IAs, and (3) approve the Project-related annual work plans and progress reports; and

(g) maintain the PMCU throughout the period of implementation of the Project, chaired by the Secretary of State of the MOP, with such functions and responsibilities and with competent staff in adequate numbers as shall be necessary to: (i) review and approve activities under Part A of the Project selected in accordance with the provisions of the OM and this Agreement, (ii) monitor and coordinate the Project implementation by PIUs, including procurement planning and scheduling, (iii) assist and provide guidance to PIUs on matters related to procurement, environmental and social aspects of the activities under Part A of the Project, and (iv) carry out activities under Part B and C of the Project.

2. The Borrower shall:

(a) adopt and thereafter apply in the implementation of the Project an OM, satisfactory to the Association, providing for, inter alia: (i) a list of eligible activities to be carried out during the first year of Project implementation and eligibility criteria for selection of additional activities to be implemented thereafter, (ii) details of all procurement, financial management and disbursement arrangements, and other administrative, financial and organizational arrangements for implementation of activities under Part A of the Project, which procedures shall be consistent with those set forth in Article IV of this Agreement and Schedule 1 and Section I of Schedule 3 to this Agreement, (iii) guidelines for environmental impact assessment and compensation and rehabilitation of people involuntarily displaced due to the taking of land and other assets under the Project; and indigenous peoples development plans, all in respect to the implementation of activities under Part A of the Project, (iv) performance indicators, monitoring and evaluation procedures for the Project, and (v) details and procedures for the preparation of all Project-related management reports pursuant to the provisions of Section 4.02 of this Agreement; and

(b) except as the Association shall otherwise agree, not amend, or waive any provision of the OM.

3. The Borrower shall take all such actions as shall be necessary to ensure that activities under Part A of the Project shall be selected, approved and implemented in accordance with the OM. For these purposes the Borrower shall not commence works for an activity or activities under Part A of the Project unless and until the environmental impact assessment, the involuntary resettlement plan and the indigenous development plan prepared pursuant to the OM, if needed, have been approved by the Association and the actions provided therein have been adequately implemented for the relevant activities.

4. 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, and referred to in the Operational Manual, 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 December 31, 2002, 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 February 15, 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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 Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of works, 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 \$3,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 9,300,000.
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 deposit into the Special Account of an amount or amounts 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;

- (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;

- (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, minus the total amount of all outstanding special commitments 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.