

CONFORMED COPY

CREDIT NUMBER 3300-TA

Development Credit Agreement

(Public Service Reform Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 20, 2000

CREDIT NUMBER 3300-TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 20, 2000, between THE UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated October 28, 1999, from the Borrower describing a program of actions, objectives and policies designed to promote the carrying out by the Borrower of a program (the Program) for the sustainable structural and institutional reform of the public service in the Borrower's territories and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of eleven years, the proceeds of such Credits to be utilized by the Borrower for executing the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, 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 December 2, 1997, (the General Conditions) constitute an integral part of this Agreement.

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

- (a) "MDAs" means the Borrower's ministries, departments and agencies;
- (b) "Executive Agencies" means executive agencies established by the Borrower pursuant to the Executive Agencies Act, No. 30 of 1997, of the laws of the Borrower;
- (c) "CSD" means the Borrower's Civil Service Department within the Borrower's Office of the President;
- (d) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (e) "MOF" means the Borrower's Ministry of Finance;
- (f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association and the Borrower on October 23, 1997 and November 13, 1997, and October 15, 1999 and October 27, 1999, respectively;
- (g) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;
- (h) "IMTC" means the Borrower's Inter-Ministerial Technical Coordination Committee, consisting of Permanent Secretaries, and referred to in paragraph 1 (a) of Section I of Schedule 4 to this Agreement;
- (i) "IWG" means the Borrower's Inter-Ministerial Working Group, referred to in Section I, paragraph 1 (b) of Schedule 4 to this Agreement;
- (j) "PIM" means the Performance Improvement Model referred to in Part A (2) of the Project;
- (k) "PIF" means the Performance Improvement Fund referred to in Part A (5) of the Project;
- (l) "DLC" means the Distance Learning Center referred to in Part G of the Project;
- (m) "PIP" means the Project Implementation Plan, adopted by the Borrower on October 7, 1999, and referred to in paragraph 1 of Section III of Schedule 4 to this Agreement, containing, inter alia, work plans, training plans, and monitoring and performance indicators to be used for the purposes of implementation of the Project, as may be amended from time to time, in consultation with the Association, and such term includes any schedules to the PIP;
- (n) "Project Year" means the 12-month period beginning from the Effective Date and ending 12 months thereafter and each successive 12-month period following thereafter; and
- (o) "IFM" means the Institute of Finance Management, a statutory body

established pursuant to the Institute of Finance Management Act, No. 3 of 1992.

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-nine million nine hundred thousand Special Drawing Rights (SDR 29,900,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars in a commercial bank two special deposit accounts, namely: (i) a special deposit account for Parts A through F of the Project (the MDA Special Account), and (ii) a special deposit account for Part G of the Project (the DLC Special Account). Each of the Special Accounts shall be on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, a 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 canceled.

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 April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1, commencing April 1, 2010 and ending October 1, 2039. Each

installment to and including the installment payable on October 1, 2019 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and public service reform 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 after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

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

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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

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

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

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

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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 prepared detailed guidelines, satisfactory to the Association, to be utilized in developing the PIM and for operations under the PIF;

(b) the Borrower has installed a financial management and accounting system for the Project, satisfactory to the Association;

(c) the Borrower has established in CSD a team, with terms of reference satisfactory to the Association, to be responsible for the monitoring and evaluation of the Project; and

(d) the Borrower has prepared guidelines, satisfactory to the Association, setting out the policies and procedures for the implementation of local cost compensation as part of the PIF.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable Address:

Telex:

TREASURY
Dar es Salaam

41329

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Oey Meesook

Acting Regional Vice President
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) Consultants' services and training:		100%
(a) Under Parts A through F of the Project	22,300,000	
(b) Under Part G of the Project	100,000	
(2) Goods, equipment and vehicles:		100% of foreign expenditures and

			80% of local expenditures
	(a) Under Parts A through F of the Project	2,700,000	
	(b) Under Part G of the Project	50,000	
(3)	Civil works:		100% of foreign expenditures and 80% of local expenditures
	(a) Under Parts A through F of the Project	150,000	
	(b) Under Part G of the Project	50,000	
(4)	Incremental operating costs:		
	(a) Under Parts A through F of the Project	1,300,000	90%
	(b) Under Part G of the Project	400,000	80% during 2000, 60% during 2001, and 40% during 2002
(5)	Refunding of Project Preparation Advance	2,150,000	Amount due pursuant to Section 2.02 (c) this Agreement
(6)	Unallocated	700,000	
	TOTAL	29,900,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and consultants' services provided by firms under contracts costing less than \$100,000 equivalent each and for consultants' services provided by individuals under contracts costing less than \$50,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

Description of the Project

The objectives of the Project are to: (i) improve efficiency in the management of public expenditures; (ii) strengthen public service capacity for the management of economic growth and poverty reduction; (iii) improve the delivery of services to meet with public expectations of value, satisfaction and relevance; (iv) improve accountability, transparency and resource management in service delivery; and (v) test the effectiveness and sustainability of the DLC as a knowledge-sharing network which can strengthen the capacity of officials and managers in the public and private sectors to design, plan and manage economic and social development.

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: Performance Improvements

1. Carrying out of a strategic process to facilitate the decentralization of the MDAs and the expansion of a range of institutions to move service improvements closer to the public, through the provision of technical advisory services and training.
2. Development and strengthening of the operational, organizational and management capacities of the MDAs, including the installation of a PIM, to improve their delivery of services and assist in promoting accountability in the execution of their plans and budgets.
3. Promotion of the strategic use of available public financial resources, through the implementation of the PIM.
4. Improvement of linkages among sector reforms through the formulation of strategic plans of the MDAs.
5. Establishment of a centrally-managed PIF to: (i) support the implementation of the PIM; and (ii) provide resources for the strengthening of the capacity of the MDAs.

Part B: Restructuring of the MDAs and Private Sector Participation

Carrying out of the Borrower's reforms for the restructuring and decentralization of the MDAs, including measures to facilitate and assist in: (i) the transfer of functions, services and operations among institutions; (ii) the contracting out of non-critical services; (iii) the divestiture and privatization of services and facilities not needed in the public domain; and (iv) the redeployment of surplus staff.

Part C: Executive Agencies Program

Establishment of Executive Agencies to be used to (i) demonstrate and pioneer results-oriented management of public services; and (ii) facilitate and assist in the decentralization of executive non-core functions remaining in the public domain.

Part D: Management Information Systems

Strengthening the Borrower's management information system, including: (i) the effective maintenance of payroll controls; (ii) provision of relevant and accurate information to public service managers and decision-makers; (iii) modernization of information and communications systems in the MDAs; (iv) the development of efficient and sustainable records management systems in the MDAs; (v) the introduction of an integrated computerized personnel and payroll system in the Borrower's Civil Service Department (CSD) and the reinforcement in the CSD of existing controls; and (vi) the development of: (A) a policy and legal framework for the management of electronic records, and (B) a strategy for the implementation of said framework.

Part E: Leadership, Management and Governance

1. Development of leadership and management skills of senior executives in the MDAs, through the provision of training in leadership and management skills.

2. Strengthening of the CSD through: (i) staff development, (ii) the improvement of CSD's personnel skills and working environment; and (iii) the acquisition of equipment.

3. The establishment of a public service college specializing in management training.

4. Training of public service personnel in private sector facilitation strategies, including: (i) customer service training; and (ii) training in improved communication between the private and public sectors.

5. (a) Implementation of merit-based policies in the MDAs, including: (i) the application of such policies to the recruitment and appointment of public service officers; (ii) the application of fair and open competition policies and procedures and merit-based non-discriminatory recruitment and selection criteria in the filling of vacancies, and promotion to positions, in the public service; (iii) the introduction in the MDAs of an open performance appraisal system; and (iv) the implementation of improved personnel management practices.

(b) Strengthening ethical conduct of public service officials, including: (i) the implementation of the recommendations of the Report of the Presidential Commission of Enquiry on Anti-Corruption (Warioba Report); (ii) the application of an appropriate code of ethical conduct to all persons in the public service; (iii) the review of laws and regulations applicable to the public service in order to strengthen measures to counter unethical conduct in the public service; (iv) the carrying out of public awareness campaigns against such unethical conduct; and (v) the installation of appropriate mechanisms for handling complaints regarding such conduct.

6. Carrying out of a program to increase gender sensitivity amongst public servants in the MDAs through: (i) the creation in all strategically placed personnel in the public service of an awareness of gender issues; (ii) the strengthening of the capacity of women in public service to take up the challenge and avail themselves of opportunities for upward career mobility; and (iii) the production of reports and information brochures on gender issues.

Part F: Program Coordination, Monitoring and Evaluation

Strengthening the capacity of the CSD to serve as a focal point for the coordination, monitoring and evaluation of Project activities, including: (i) strengthening CSD's capacity to monitor the PIM; (ii) the collection and analysis by the CSD of information on the various components of the Project and other reform programs; (iii) the development of the capacity of the MDAs to formulate and evaluate policies; (iv) the establishment of a baseline to be used in the assessment of the progress of the Program; (v) the provision of information on the Program; (vi) the dissemination to: (A) key stakeholders of the results of Program monitoring, and (B) the MDAs of the feedback of stakeholders' comments; and (vii) the strengthening of the capacity of institutions at the center of Government to: (A) formulate and analyze policies, and (B) provide strategic leadership and coordinate reforms.

Part G: Distance Learning Center

(a) Establishment of a distance learning center to increase the access of the Borrower's officials and private sector managers to global innovations and information.

(b) Installation in the DLC of: (i) a video-conference room with about a 30-person capacity; (ii) a computer room outfitted for about 30 computer stations; and (iii) a technical and administrative center, through the provision of technical advisory services, training, auditing and evaluation services and the acquisition of vehicles and equipment.

* * *

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

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods 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) and the following provisions of this Section I.

Part B: International Competitive Bidding

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

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

(a) Grouping of Contracts

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

(b) Preference for Domestically Manufactured Goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Except as otherwise provided in paragraph 2 of this Part C, works, under Parts A through F of the Project, estimated to cost the equivalent of \$300,000 or less per contract, goods under Parts A through F of the Project, estimated to cost the equivalent of \$100,000 or less per contract, and goods for Part G of the Project, estimated to cost the equivalent of \$50,000 or less per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$190,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the 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.

3. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract which are readily available off-the-shelf and cannot be grouped, up to an aggregate amount not to exceed \$150,000 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, provided that if such goods are not available locally, they may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Goods estimated to cost less than \$30,000 equivalent per contract which are readily available off-the-shelf and cannot be grouped, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured from the Inter-Agency Procurement Services Organization of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Direct Contracting

Goods under Part G of the Project, for network access, video-conferencing and satellite band width rent and elevator rehabilitation which should be procured as an extension of an existing contract or must be procured from a particular supplier as a condition of performance guarantee and costing \$600,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, and the first three works contracts, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-Based Selection

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

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2,700,000 equivalent, may be procured under contracts

awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-Cost Selection

Services for audits of accounts under the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

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

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$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 the said approval shall have been given.

(c) The following shall be submitted to the Association for prior review and approval before the contracts to which they relate are awarded: (i) terms of reference for all consultant services; (ii) each single-source selection of consultants; (iii) drafts of each of the first three contracts estimated to cost the equivalent of more than \$50,000; (iv) the selection procedures, shortlists and requests for proposals, qualifying technical proposals, final evaluation reports and draft contracts in any case in which the estimated cost of the contract exceeds the equivalent of (A) \$50,000 for an individual consultant, or (B) \$100,000 for a consulting firm; (v) assignments of a critical nature (as reasonably determined by the Association) estimated to cost the equivalent of (A) \$50,000 for an individual consultant, or (B) \$100,000 for a consulting firm, and (vi) contract amendments raising the estimated cost of a contract over an amount equivalent to (A) \$50,000 for an individual consultant, or (B) \$100,000 for a consulting firm. The related contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

Section I: Parts A through F of the Project

1. (a) The IMTC shall have responsibility for the overall coordination of the activities of Project implementing agencies. The IMTC is chaired by the Chief Secretary and includes all Permanent Secretaries.

(b) The Borrower shall maintain the Inter-Ministerial Working Group (IWG) in a form and with functions and resources satisfactory to the Association. The IWG shall be responsible for the technical coordination of all key public sector reform programs. The IWG shall be headed by the Permanent Secretary, CSD, and its membership shall include, inter alia, Deputy Permanent Secretaries, the Director of Policy (CSD), the Accountant-General, and the Commissioner for Local Government. The IWG shall meet at least once a month, and its decisions and recommendations shall be regularly forwarded to the IMTC for consideration at its meetings.

2. Each one of the MDAs shall be primarily responsible for the implementation of the public service reform measures pertaining to the MDA. The respective Permanent Secretaries and Chief Executives shall, to that end, be required to (i) specify, promulgate and manage with due diligence and efficiency their respective public reform measures and goals, and (ii) be individually accountable for progress in the carrying out of said reform measures.

3. The Borrower shall ensure that stakeholders and other Project beneficiaries participate (through social pacts, service delivery surveys, benchmarking and other appropriate instruments and means) in the definition and assessment of progress attained under the Project.

4. The Borrower shall carry out all training, workshops and study tours under the Project on the basis of programs which shall have been approved by the Association on a quarterly basis and which shall, inter alia, identify (a) the training, workshops and study tours envisaged, (b) the personnel to be trained, (c) the institution which will conduct the training, (d) the duration of the proposed training, and (e) an estimate of the cost.

Section II: Part G of the Project

1. (a) The Borrower shall, by March 31, 2000, for the purposes of Part G of the Project, establish the DLC, in a form and with functions and resources satisfactory to the Association. The DLC shall be responsible for the carrying out of Part G of the Project.

(b) The DLC shall be governed by a Board with membership and functions satisfactory to the Association. The Board's membership shall include representatives of (i) the Ministries of Finance, Planning, Higher Education, and the CSD, (ii) academic institutions, (iii) the private sector, (iv) civil society, and (v) the Principal of the IFM. The Chairman of the Board shall be appointed by the Chief Secretary, and the Director of the DLC shall act as Secretary to the Board.

(c) The DLC shall be located within the premises of the IFM.

(d) The CSD shall be responsible for: (i) coordination of activities under Part G of the Project; (ii) ensuring the participation of the public and private sector interest groups and the donor community in the monitoring of the said Part of the Project, and (iii) training and development activities under Part G of the Project.

(e) The day-to-day management of the DLC shall be entrusted to a Director with qualifications and experience satisfactory to the Association. The Director of the DLC shall be assisted by a team, acceptable to the Association, consisting of a computer specialist with telecommunications knowledge, a facilitator/trainer, an experienced accountant, and an office assistant and support staff in adequate numbers.

2. The Director of the DLC shall furnish to the Board of the DLC and to the Association for their review and approval: (i) no later than three months after the Effectiveness Date an initial business plan satisfactory to the Association; and (ii) thereafter by November 1 of each subsequent Project Year, an annual business plan satisfactory to the Association. The details of the financial component of said business plan shall include the operational costs to be financed under the Project as well as the capital mobilized by the DLC to meet the costs of the Project. The DLC

shall furnish to the Board of the DLC, no later than 30 days after the end of each calendar quarter, a report on the progress of the Project activities carried out by the DLC during said quarter.

Section III. Miscellaneous

1. Except as the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the PIP and shall not amend the PIP or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

2. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about three months prior to the review referred to in paragraph (c) below, 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, not later than three years after the Effectiveness Date, 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 Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), (3) (a) and (4) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement with respect to the MDA Special Account, and Categories (1) (b), (2) (b), (3) (b) and (4) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement with respect to the DLC Special Account;

(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 to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule in respect of: (i) the MDA Special Account, an amount equivalent to \$2,000,000; and (ii) the DLC Special Account, an amount equivalent to \$300,000.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for 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 a Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

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

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

