

CONFORMED COPY

CREDIT NUMBER 2351 ETH

(Emergency Recovery and Reconstruction Project)

between

ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 1992

CREDIT NUMBER 2351 ETH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 24, 1992, between ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower intends to carry out an emergency recovery and reconstruction programme as it initiates a longer-term effort to reduce poverty and achieve sustainable growth through structural economic reform;

(B) 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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

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

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

(a) "EELPA" means the Ethiopian Electric Light and Power Authority, a body corporate established under the laws of the Borrower;

(b) "ETA" means the Ethiopian Telecommunications Authority, a body corporate established under the laws of the Borrower;

(c) "ERA" means the Ethiopian Roads Authority, a body corporate established under the laws of the Borrower;

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 17, 1989, and December 5, 1989, between the Borrower and the Association;

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

(f) "ONCCP" means the Office of the National Commission for Central Planning.

## 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 this Agreement, an amount in various currencies equivalent to one hundred and four million, nine hundred thousand Special Drawing Rights (SDR 104,900,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special deposit accounts (the Import Special Account and the Social Fund Special Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be March 31, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 2002, and ending January 15, 2032. Each installment to and including the installment payable on January 15, 2012, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

### ARTICLE III

## Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall relend, out of the proceeds of the Credit:

- (i) an amount not exceeding the equivalent of SDR 2,100,000 to EELPA under a subsidiary loan agreement to be entered into between the Borrower and EELPA, under terms and conditions which shall have been approved by the Association and which shall include interest rate of seven and three quarters percent (7.75%) per annum, repayment over 20 years including five years of grace and the foreign exchange risk to be borne by EELPA; and
- (ii) an amount not exceeding the equivalent of SDR 2,800,000 to ETA under a subsidiary loan agreement to be entered into between the Borrower and ETA, under terms and conditions which shall have been approved by the Association and which shall include interest rate of seven and three quarters percent (7.75%) per annum, repayment over 20 years including five years of grace and the foreign exchange risk to be borne by ETA.

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. (a) The Borrower shall maintain, until completion of the Project, the cabinet-level Steering Committee chaired by the Prime Minister which shall be responsible for the general oversight of the Project. The Steering Committee shall include the Minister of Finance, the Minister responsible for the Commission for Foreign Economic Relations, the Minister of ONCCP and the Governor of the National Bank of Ethiopia.

(b) The Steering Committee shall meet regularly to discuss the progress of the Project and to make policy decisions on the implementation of the Project as needed.

Section 3.04. (a) The Borrower shall maintain, until completion of the Project, the Project Monitoring Unit (PMU). The PMU shall include, as members, a unit manager, one representative from the private sector, nine representatives from the public sector, the manager of the Social Rehabilitation Fund, a port and shipping advisor, and an inland transport advisor.

(b) The PMU shall be responsible for: (i) monitoring the implementation of the Project; (ii) advising implementing ministries and agencies on Project issues; (iii) informing the Steering Committee on the progress of the Project; and (iv) preparing quarterly progress reports referred to in Section 3.05 (a) of this Agreement.

Section 3.05. Without limitation to or restriction upon its other reporting requirements under the General Conditions and this Agreement the Borrower shall, with effect from the quarter ending June 30, 1992:

(a) submit, quarterly, to the Association for review, progress reports on the implementation of the Project. Said progress

reports shall cover, inter alia, (i) status of disbursements and procurement, (ii) volume of imports, their clearance through the ports and transportation to Addis Ababa and other centers, (iii) effectiveness of internal distribution of goods to beneficiaries, (iv) status of reconstruction activities, (v) generation and use of counterpart funds, and (vi) any Project implementation policy issues and proposed solutions;

(b) cause the Social Rehabilitation Fund Management Unit to submit, quarterly, to the Association for review, progress reports on the implementation of Part E of the Project. Said progress reports shall cover, inter alia, (i) the sub-projects approved for financing, and (ii) problems and proposed solutions associated with implementation of the Social Rehabilitation Fund activities.

Section 3.06. (a) Without limitation or restriction to the provision of Section 9.01 of the General Conditions, the Borrower and the Association agree to undertake not later than November 30, 1992, a review of the progress of the Project, based on performance indicators satisfactory to the Association and pursuant to the provisions of this Agreement; and

(b) the Borrower shall promptly undertake or cause PMU to promptly undertake such modifications in the execution of the Project as shall be necessary, in the Association's opinion, as a result of the review referred to in paragraph (a) above, for the achievement of the objectives of the Project.

Section 3.07. (a) For the purpose of implementation of Part E of the Project, the Borrower shall:

- (i) establish and maintain, under arrangements satisfactory to the Association, a Social Rehabilitation Fund for the purpose of financing community-based social and economic sub-projects. The Borrower shall operate the Social Rehabilitation Fund in accordance with procedures, terms and conditions and eligibility criteria satisfactory to the Association; and
- (ii) maintain the Social Rehabilitation Fund Management Unit under PMU to administer the operation of the Social Rehabilitation Fund. The full-time head of the Social Rehabilitation Fund Management Unit shall have qualifications and experience satisfactory to the Association.

(b) The Social Rehabilitation Fund Management Unit shall be responsible for reviewing and approving sub-projects to be financed under the Social Rehabilitation Fund under terms and conditions satisfactory to the Association.

Section 3.08. The Borrower shall deposit an amount equivalent to Birr 20.7 million into the Social Rehabilitation Fund to be used for financing sub-projects under Part E of the Project.

Section 3.09. After a review of the transportation capacity by the Association, the Borrower shall take all necessary measures, including the hiring of an international transport firm, to ensure that goods financed under the Credit are transported efficiently from the ports to the distribution centers inland.

Section 3.10. The Borrower shall, not later than May 31, 1992:

(a) issue directives allowing the Commercial Bank of Ethiopia to participate in providing credit for the purchase of fertilizers; and

(b) issue directives permitting the private retailing of fertilizer.

Section 3.11. The Borrower shall implement measures satisfac-

tory to the Association to ensure that building materials, tyres and spare parts for buses financed under the credit costing the equivalent of \$11,000,000 are sold to the end users in the private sector.

Section 3.12. The Borrower shall, not later than December 31, 1992, eliminate all road freight tariff regulations.

#### 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, a certified copy of 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, 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the 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.

#### ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established the Project Monitoring Unit referred to in Section 3.04 of this Agreement;

(b) the Borrower has implemented measures, satisfactory to the Association, for:

- (i) facilitating the transportation inland by road transport of cargo imported to Ethiopia through the Port of Djibouti;
- (ii) permitting the licensing of private domestic and foreign freight forwarding and clearing agents to operate in Ethiopia and to facilitate their access to facilities at the Port of Assab; and
- (iii) allowing public sector companies and agencies to employ freight forwarding and clearing agents of their choice.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance  
Ministry of Finance  
P.O. Box 1905  
Addis Ababa  
Ethiopia

Cable address:	Telex:
MINFIN	21147

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

ETHIOPIA

By /s/ Berhani Gebre-Christos  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox  
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) Equipment and Materials under Part A.1 of the Project	4,602,000	100% of foreign expenditures
(2) Equipment and Materials under Part A.2 of the Project	26,295,000	100% of foreign expenditures
(3) Equipment and Materials under Part A.3 of the Project	5,916,000	100% of foreign expenditures
(4) Equipment and Materials under Part A.4 of the Project	1,972,000	100% of foreign expenditures
(5) Equipment and Materials under Part A.5 of the Project	2,630,000	100% of foreign expenditures
(6) Equipment and Materials under Part A.6 of the Project	16,369,000	100% of foreign expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(7) Petroleum Products	13,147,000	100% of foreign expenditures
(8) Civil Works under Part B of the Project	13,345,000	80%



(9) Transportation under Part C of the Project	7,888,000	100%
(10) Consultant's Services under Part D of the Project	2,761,000	100%
(11) Goods and services for sub-projects under the Social Rehabilitation Fund	3,287,000	100% of foreign expenditures and 30% of local expenditures
(12) Refunding of Project Pre-paration Advance	420,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(13) Unallocated	6,268,000	
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TOTAL	104,900,000	=====

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; and

(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.

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

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

(b) payment made for expenditures under Category (11) unless the Borrower has submitted to the Association evidence satisfactory to the Association that (i) the Social Rehabilitation Fund has been established pursuant to Section 3.07 of this Agreement, (ii) the Borrower has deposited Birr 20.7 million into the Social Rehabilitation Fund as provided in Section 3.08 of this Agreement, and (iii) the Borrower has submitted to the Association terms and conditions and eligibility criteria satisfactory to the Association for financing sub-projects under the Social Rehabilitation Fund; and

(c) payments made for expenditures under Categories (4) and (5) unless the Borrower has concluded Subsidiary Loan Agreements, satisfactory to the Association with EELPA and ETA, respectively, referred to in Section 3.01 (b) of this Agreement.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to assist the Borrower in rehabilitating, reconstructing, maintaining and operating priority sectors of its economy damaged by civil war.

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: Importation of Goods Specified in Schedule 4 to this Agreement for:

1. The Construction Sector
2. The Industrial Sector
3. The Transport Sector
4. The Power Sector
5. The Telecommunications Sector
6. The Road Sector
7. Petroleum Products

Part B: Civil Works

1. Resurfacing and regravelling of roads.
2. Rehabilitation of road maintenance equipment.

Part C: Transportation of Goods

Transportation of goods from the ports to distribution centers.

Part D: Consultants' Services

1. Preparation of designs and specifications for rehabilitation of roads.
2. Strengthening the capacity of the Ethiopian Road Authority to carry out and supervise road rehabilitation activities.

Part E: Social Rehabilitation Fund

Financing community-based social and economic activities on a pilot basis principally in Shoa, Addis Ababa and Tigray, and the acquisition of office equipment and vehicles.

\* \* \*

The Project is expected to be completed by September 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required; or
- (iii) an advertisement in a newspaper, periodical or technical journal of wide technical circulation."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

2. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 5 to the Agreement.

3. Goods shall be exempted from pre-shipment price inspection by a third party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Ethiopia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Raw materials for the public sector estimated to cost the equivalent of \$2,500,000 or less per contract, up to an aggregate amount equivalent to \$35,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from a list of potential suppliers eligible under the Guidelines broad enough to ensure competition and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Goods and equipment estimated to cost the equivalent of \$2,500,000 or less per contract, up to an aggregate amount equivalent to \$15,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for the Social Rehabilitation Fund estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Civil works under the Social Rehabilitation Fund estimated to cost up to an aggregate amount not exceeding the equivalent of \$1,500,000 may be procured under contracts awarded on the basis of

competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

5. Other specialized and proprietary items for Part A of the Project, estimated to cost up to an aggregate amount not exceeding the equivalent of \$14,000,000, may be purchased directly under negotiated contracts with original suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for raw materials, goods and equipment estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

List of Eligible Imports to be Financed  
under the Credit

Petroleum products  
Electrical generating, distribution and instrumentation equipment  
Telecommunications equipment  
Vehicles  
Road maintenance equipment and materials  
Fire fighting equipment  
Radio communications equipment

Spares for food processing machinery  
Spares for sugar machinery and sugar plantations  
Spares for beverage making industry

Spares for textile machinery  
Spares for leather and leather products industry  
Spares for cement industry  
Spares for printing machinery  
Spares for chemical processing industry  
Spares for metal working and engineering industry  
Spares for electrical generating and distributing equipment  
Spares for telecommunications equipment  
Spares for civil aviation control and lighting equipment  
Spares and tires for buses

Corrugated metal sheeting  
Glazing and glazing materials  
Nails, screws and fixings  
Black sheet  
Door and window fittings  
LTZ profiles  
Electrical wires, fuses and electrical domestic protective  
equipment  
Lamps and lamp fittings  
Electrical meters  
Water meters  
Sanitary ware  
Pipes and fittings

Lint cotton, polyester yarn, acrylic fibre, nylon yarn  
Wool waste  
Jute and Kenaf  
Dyestuffs and chemicals  
Chrome and chemicals  
Natural, thermoplastic and synthetic rubbers  
Fatty acids and other soap making agents  
Cold and hot rolled steel sheets  
Zinc, Galvanized iron sheets  
Steel coils  
Pig iron, steel billets, and bars  
Paper pulp  
Plasticol and can materials  
Packing materials  
Resins, PVC, polythene  
Polyethylene, polyurethane, and Chemicals  
Footwear outers, linings and bergamode  
Aluminum sheets, electrodes, lockers, handles  
Bolts and nuts and fasteners  
Printing ink, printing chemicals, paper, printing plates  
Canvas, elastic lace, elastic yarn  
Soya Flour and Milk Powder  
Vitamins  
Yeast and Sodium Bicarbonate  
Food flavoring and preservatives

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) for the Imports Special Account and Category (11) for the Social Fund Special Account set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000 for the Imports Special Account and \$750,000 for the Social Fund Special Account to be withdrawn from the Credit Account and deposited into the respective Special

Accounts pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the respective Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts 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 respective Special Accounts such amounts 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 respective Special Accounts 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 respective Special Accounts, 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 Accounts:

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made

only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts 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 respective 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 respective Special Accounts 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 Accounts.

(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.

