

CONFORMED COPY

CREDIT NUMBER 3181 KH

Development Credit Agreement

(Road Rehabilitation Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 19, 1999

CREDIT NUMBER 3181-KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 19, 1999, between KINGDOM OF CAMBODIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS (B) the Borrower intends to obtain from Japan a grant (the Japan Investment Grant) in an amount equivalent to five million three hundred ten thousand dollars (\$5,310,000) to assist in financing Part A (1) (a) of the Project on terms and conditions set forth in an agreement (the Japan Investment Grant Agreement) to be entered into between the Borrower and Japan; and

WHEREAS (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 (as amended through December 2, 1997) 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 paragraphs (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 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries."

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

"Except as the Association and the Borrower 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 Administrator, 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, and in the Preamble to this Agreement, have the respective meanings therein set forth, and the following additional terms, wherever used in this Agreement, have the following meanings:

(a) "APCC" means the Borrower's Advisory Project Coordination Committee, established by the Borrower pursuant to Decision No. 041/MPWT dated February 2, 1998, and to be maintained in accordance with the provisions of Section 3 of Schedule 4 to this Agreement;

(b) "Affected Person" means a person who, on account of the implementation of the Project, have or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected, and the term "Affected Persons" means, collectively, more than one Affected Person;

(c) "Coordinating Committee" means the Coordinating Committee to be established by the Borrower pursuant to Section 9 (a) of Schedule 4 to this Agreement;

(d) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means more than one Category;

(e) "EMAP" means the environmental management action plan adopted by the Borrower, pursuant to Decision No. 001-PIU-WB/MPWT dated May 29, 1998, and acceptable to the Association, to be carried out by the Borrower in accordance with the provisions of Section 7 of the Implementation Program, as such Plan may be amended from time to time in agreement with the Association;

(f) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Borrower's financial years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means, collectively, more than one Fiscal Year;

(g) "Project Implementation Plan" means the Project Implementation Plan, dated February 1998, adopted by the Borrower, and giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as shall have been agreed with the Association for purposes of the Project, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Plan;

(h) "Mines" means landmines and other similar explosive devices, including bombs, booby traps, munitions and unexploded ordnance of any kind;

(i) "Mines Security Program" means the activities undertaken in the risk areas to reduce the risk of accidents, including the carrying out of checks for Mines and the safe removal of Mines;

(j) "MEF" means the Borrower's Ministry of Economy and Finance, and such term includes any successor thereto;

(k) "MPWT" means the Borrower's Ministry of Public Works and Transport, and such term includes any successor thereto;

(l) "NBC" means the National Bank of Cambodia, the Borrower's central bank, and such term includes any successor thereto;

(m) "PIU" means the Project Implementation Unit, established by the Borrower within MPWT pursuant to Decision No. 041/MPWT dated February 2, 1998, and to be maintained in accordance with the provisions of Section 1 of Schedule 4 to this Agreement;

(n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter of agreement, dated October 21, 1998 signed by the Association, and countersigned by the Borrower on October 29, 1998;

(o) "RAP" means the Borrower's resettlement action plan for the provision of compensation and other assistance to Affected Persons, adopted by the Borrower, dated July 8, 1998, and acceptable to the Association, to be carried out by the Borrower in accordance with the provisions of Section 6 of Schedule 4 to this Agreement, as such Plan may be amended from time to time in agreement with the Association;

(p) "Siem Reap" means the Borrower's Province of Siem Reap, an administrative sub-division of the Borrower;

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

(r) "SCCP" means the Borrower's Steering Committee on Cultural Property established by the Borrower pursuant to Decision No. 98003/PM dated March 11, 1998, and to be maintained in accordance with the provisions of Section 4 of Schedule 4 to this Agreement; and

(s) "UN Guidelines" means the United Nations' safety standards and guidelines as set forth in the "International Mine Clearance Standards" Section of the United Nations De-mining Database, as same may be amended from time to time, and such term includes any schedules to the UN Guidelines.

## 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 thirty two million three hundred thousand Special Drawing Rights (SDR 32,300,000).

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 a separate 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.

(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 June 30, 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 (60) 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 semi-annually on March 15 and September 15 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 semi-annual installments payable on each March 15 and September 15, commencing September 15, 2009 and ending March 15, 2039. Each installment to and including the installment payable on March 15, 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, construction, financial, engineering, environmental and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provision 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:

- (i) 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 Association and the Borrower, a plan for the future operation of the project; and
- (ii) 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 separate 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 (6) months after the end of 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 expenditures, 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 one (1) 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.

#### ARTICLE V

##### Remedies of the Association

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

(a) as a result of the laying down of new Mines anywhere in the territory of the Borrower, the objectives of the Project have, in the opinion of the Association, been undermined or jeopardized;

(b) (i) subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Japan Investment Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Japan Investment Grant Agreement; and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under the Japan Investment Grant Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower 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 Economy and Finance  
92nd Street  
Phnom Penh  
Kingdom of Cambodia

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.

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ngozi Okonjo-Iweala

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	22,700,000	95%
(2) Goods	1,560,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' Services	4,400,000	100%
(4) Operating Costs	520,000	100%
(5) Refunding of Project Preparation Advance	250,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	2,870,000	
TOTAL	32,300,000 =====	

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 "Operating Costs" means payments made for expenditures on account of the operating costs of the PIU, including costs for Project-related office

equipment, supplies, vehicles and related facilities, and on account of Project staff travel and allowances, but excluding costs incurred in respect of any salaries.

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

- (a) payments made for expenditures prior to the date of this Agreement; and
- (b) Category (1), unless the Borrower has:
  - (i) pursuant to paragraph 5 of Schedule 4 to this Agreement, (A) satisfied the Association that it has taken appropriate measures as specified in sub-paragraph (a) thereof to ensure the soundness of its Mines clearance activities; and (B) furnished to the Association, in accordance with sub-paragraph (b) thereof, one certificate on the absence of a serious Mines threat, and another on the technical soundness of the Mines Security Program activities, as well as a legal opinion on any legal liability arising as a result of activities under Part A.3 of the Project; and
  - (ii) pursuant to paragraph 13 of Schedule 4 to this Agreement, (A) conducted excavation rescue works as required thereunder and issued a certificate, acceptable to the Association, on the likelihood of discovery of artifacts in the course of implementation of road rehabilitation works; and (B) established a protocol, acceptable to the Association, setting forth policies and procedures governing the treatment of any artifacts discovered in the course of implementation of such works.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than the equivalent of five hundred thousand dollars (\$500,000) each; (b) works under contracts costing less than the equivalent of five hundred thousand dollars (\$500,000) each; (c) consultants' services under contracts awarded to consulting firms costing less than the equivalent of one hundred thousand dollars (\$100,000) each; (d) consulting services under contracts awarded to individual consultants costing less than the equivalent of fifty thousand dollars (\$50,000) each; and (e) 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 objective of the Project is to assist the Borrower's efforts to enhance its economic and social development by helping to restore the condition of key national access roads, and establishing the foundations for an effective policy for future road and transport sector reform.

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: National Road Rehabilitation

1. (a) Rehabilitating about eighty-two kilometers (82 km) of National Route No. 6 from the junction of the Siem Reap airport access road to the Kompong Thom provincial border;
- (b) rehabilitating about two and one-half kilometers (2.5 km) of the Siem Reap access road;
- (c) rehabilitating about five and one-half kilometers (5.5 km) of the Angkor Wat access road;
- (d) replacing about thirty (30) bridges on said National Route No. 6;
- (e) reconditioning about ten (10) bridges on said National Route No. 6; and
- (f) restoring about ten (10) historical bridges on said National Route No. 6.



2. Rehabilitating about twenty-one and one-half kilometers (21.5 km) of National Route No.3 from the juncture of National Route No. 4 at Veal Rinh to the Kampot provincial border at Ban Trapeang Ropou, including rehabilitation and reinforcement of about fifteen (15) bridges.

3. Carrying out of a Mines Security Program and related activities in respect of the foregoing.

Part B: Urban Road Rehabilitation

1. Carrying out a program of periodic maintenance operations covering about three and one-half kilometers (3.5km) of main arterial routes within the capital city of Phnom Penh.

2. Rehabilitating about one and one-half kilometers (1.5km) of urban roads within the city of Sihanoukville.

Part C: Institutional Strengthening

1. Strengthening the capability of the Borrower's provincial works departments and road construction centers to plan, organize and supervise road maintenance works, and to contract out maintenance and supervision contracts, through the provision of consultants' services.

2. Strengthening the administrative and managerial capacity of the PIU in respect of Project implementation, through the provision of consultants' services and staff training programs, including construction supervision consultants' services.

3. (a) Strengthening the institutional capacity of MPWT to formulate a transport sector policy, through the provision of consultants' services and staff training; and

(b) conducting specialized studies and workshops and provision of staff training to assist in the formulation of an appropriate national transport policy.

4. Strengthening the institutional capacity of MEF to develop national guidelines on resettlement and compensation, through the provision of consultants' services and organization of participatory stakeholders workshops.

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The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Guidelines"), and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines the references to "Bank member countries" and "member country" shall be deemed to be references to "Participating Countries" and "Participating Country", respectively.

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) Pre-qualification

Bidders for works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost two hundred thousand dollars (\$200,000) equivalent or more each.

(c) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

(d) Notification and Advertising

The invitation to pre-qualify or bid for each contract estimated to cost ten million dollars (\$10,000,000) equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract, up to an aggregate amount not to exceed nine hundred thousand dollars (\$900,000) equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost more than fifty thousand dollars (\$50,000) equivalent per contract, up to an aggregate amount not to exceed five hundred thousand dollars (\$500,000) equivalent, 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.

3. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing the equivalent of six hundred thousand dollars (\$600,000) or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to pre-qualify 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

(a) With respect to each contract estimated to cost the equivalent of five hundred thousand dollars (\$500,000) or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of fifty thousand dollars (\$50,000) or more per contract, the following procedures shall apply: (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received; (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and (iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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 (a) 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, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Consultant Guidelines") and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines the references to "Bank member countries" and "member country" shall be deemed to be references to "Participating Countries" and "Participating Country", respectively.

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

Single Source Selection

Services for the carrying out of specialized studies and workshops under Part C.3 and C.4 of the Project estimated to cost less than one hundred thousand dollars (\$100,000) 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.

Part D: Review by the Bank 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 estimated to cost the equivalent of one hundred thousand dollars (\$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 fifty thousand dollars (\$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.

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.

## Implementation Program

1. The Borrower shall maintain, until completion of the Project, the PIU within MPWT, with terms of reference, membership and resources as shall be satisfactory to the Association. The PIU shall be responsible for administering, managing and supervising the day-to-day implementation of the Project.

2. The Borrower shall cause the PIU to establish by July 31, 1999 and, thereafter maintain until completion of the Project, a Financial Management Unit headed by a Project Accountant acceptable to the Association.

3. The Borrower shall maintain, until completion of the Project, the APCC with terms of reference, membership and resources as shall be satisfactory to the Association. The APCC shall be responsible for the overall policy guidance on Project implementation, including the coordination of bilateral and multilateral donor activities within the Borrower's road sector.

4. The Borrower shall maintain, until completion of the Project, the SCCP with terms of reference, membership and resources as shall be satisfactory to the Association. The SCCP shall be responsible for the overall policy guidance on the management and conservation of cultural heritage property within the Project area.

5. The Borrower shall:

(a) for the purposes of Part A.3 of the Project, employ a contractor satisfactory to the Association, and take other measures satisfactory to the Association, for the purposes of ensuring that all Mines clearance activities are carried out according to methods and procedures which are technically, financially and legally sound, and in accordance with the UN Guidelines; and

(b) prior to the commencement of any road rehabilitation works under the Project:

(i) furnish to the Association a certificate of the Borrower, acceptable to the Association, on the absence of a serious Mines threat within the areas to be covered by said works;

(ii) furnish to the Association a certificate, acceptable to the Association, issued by a competent and independent mine clearing expert, on the technical soundness of the Mines Security Program activities proposed to be undertaken within the areas to be covered by said works; and

(iii) furnish to the Association an opinion, acceptable to the Association, of counsel acceptable to the Association, on any legal liability that may arise, whether on the part of the Borrower or otherwise, as a result of activities under Part A.3 of the Project within the areas to be covered by said works.

6. The Borrower shall at all times carry out the RAP with due diligence and efficiency and, at the request of the Association, from time to time exchange views with the Association on the progress achieved in carrying out the RAP, and, promptly thereafter, take or cause to be taken any and all remedial measures necessary or required to accomplish the purposes thereof.

7. The Borrower shall at all times carry out the EMAP with due diligence and efficiency and, at the request of the Association, from time to time exchange views with the Association on the progress achieved in carrying out the EMAP, and, promptly thereafter, take or cause to be taken any and all remedial measures necessary or required to accomplish the purposes thereof.

8. The Borrower shall:

(a) not later than March 31, 2002, based on terms of reference that shall have been approved by the Association, furnish to the Association, for review and comments, national guidelines on resettlement and compensation of persons affected adversely by the carrying out of activities of projects financed by bilateral and multilateral donors; and

(b) promptly upon receipt of the Association's comments pursuant to said review, finalize said guidelines, taking into account the Association's comments thereon.

9. The Borrower shall:

(a) not later than December 31, 1999, establish, and thereafter maintain for the duration of the Project, a Coordinating Committee, whose terms of reference, membership and resources shall be satisfactory to the Association, to be responsible for the transport sector master plan; and

(b) cause the Coordinating Committee to:

- (i) prepare, not later than March 31, 2002, a transport sector strategy, addressing the key areas of transport operations, policies, regulations and financing;
- (ii) furnish to the Association for review, not later than March 31, 2004, a draft transport sector master plan, specifying the key regulatory and institutional reforms and other priority actions needed for the implementation of the master plan; and
- (iii) promptly upon receipt of the Association's comments and recommendations pursuant to said review, finalize said transport sector master plan, taking into account the Association's comments and recommendations thereon.

10. The Borrower shall at all times carry out the training activities under Part C.3 and C.4 of the Project in accordance with a training program satisfactory to the Association.

11. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall:

(a) maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with the project performance indicators acceptable to the Association, the progress achieved in the carrying out of the Project;

(b) prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association: (i) an annual report, not later than March 31 in each Fiscal Year, beginning Fiscal Year 2000, summarizing the monitoring and evaluation activities carried out pursuant to sub-paragraph (a) above in respect of the preceding Fiscal Year, including an updated procurement plan, and setting forth proposed measures, as indicated by said monitoring and evaluation activities, to further the objectives of the Project; and (ii) a mid-term report, not later than March 31, 2002, setting forth any proposed measures, as indicated by said monitoring and evaluation activities, to further the objectives of the Project; and

(c) review with the Association, by June 30 in each Fiscal Year, or such later date as the Association shall request, each report furnished pursuant to sub-paragraphs (a) and (b) above, 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.

12. The Borrower shall carry out the Project in accordance with procedures set out in the Project Implementation Plan and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

13. For the purposes of road rehabilitation works under Part A.1 of the Project, the Borrower shall:

(a) conduct excavation rescue works as appropriate to ascertain the likelihood or otherwise of discovery of artifacts along the roads to be rehabilitated thereunder and, on the basis thereof, issue a certificate, acceptable to the Association, on the likelihood or otherwise of discovery of such artifacts otherwise than in the vicinity of ancient bridges;

(b) establish a protocol, acceptable to the Association, setting forth policies and procedures governing the treatment of any artifacts discovered during the implementation of road rehabilitation works, and designed to provide for the adequate protection and conservation of such artifacts, and at the same time eliminate or minimize the likelihood of delays or disruptions in the implementation of such road

rehabilitation works; and proceed thereafter to ensure that such road rehabilitation works are carried out in accordance with such protocol; and

(c) in the case of delays or disruptions in the implementation of road rehabilitation works, due to the suspension of such road rehabilitation works or the imposition of other safeguard measures, which are attributable to the discovery of artifacts or ordered as a result thereof, make adequate provision to cover the cost of such delays or disruptions, or penalties imposed on account thereof, other than those which are solely attributable to the contractor's own acts or omissions, or for which the contractor is solely liable.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2), (3), and (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 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 four million dollars (\$4,000,000) 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 for the Special Account shall be limited to an amount equivalent to five hundred thousand dollars (\$500,000) 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 nine million Special Drawing Rights (SDR9,000,000).

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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such 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 a 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 respective 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 a 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.

