

CREDIT NUMBER 2112 GUI

Development Credit Agreement

(Second Urban Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 30, 1990

CREDIT NUMBER 2112 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 30, 1990, between the REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to obtain from the United Nations Development Program (UNDP) a grant (the UNDP Grant) in an amount of \$1,000,000 to assist in financing Parts B, C and D of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

(C) the Borrower intends to obtain from Fonds d'Aide et de Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to \$1,500,000 to assist in the financing of Part D (a) of the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC;

(D) the Borrower intends to obtain from Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount equivalent to \$14,000,000 to assist in the financing of Part A (a) of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "MUH" means the Borrower's Ministry of Urban Planning and Housing;

(c) "DATU" means the Directorate for Regional and Urban Planning within MUH;

(d) "DAFO" means the Directorate for Land Management within MUH;

(e) "UPSU" means Unite de Pilotage des Services Urbains, an agency under the supervision of the City of Conakry;

(f) "SOLOPRIMO" means Societe de Logements a Prix Moderes, a service currently under the supervision of MUH;

(g) "City of Conakry" or "Conakry" means the ville de Conakry operating pursuant to the Borrower's Ordonnance No. 002/PRG/SGG/89 of January 5, 1989; and

(h) "Secondary Cities" means the cities of Kindia, Labe, Kankan, N'Zerekore and any other city to be selected in accordance with Section 3.02 of this Agreement, which are eligible to benefit from priority infrastructure upgrading works under Part A (c) (v) of the Project, and their management under Part D (c) of the Project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-three million Special Drawing Rights (SDR 43,000,000).

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 accounts (the MUH Special Account and the UPSU Special Account) in a commercial bank or the central bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 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 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 per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing April 15, 2000 and ending October 15, 2029. Each installment to and including the installment payable on April 15, 2010 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. 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 Parts A, B, C, D (c) and D (d) of the Project through MUH, Part D (a) of the Project through the City of Conakry and Part D (b) of the Project through UPSU with due diligence and efficiency and in conformity with appropriate urban development and management practices, and shall provide, promptly as needed, the funds, facilities, sites, services and other resources required for the Project.

Section 3.02. The Borrower shall submit to the Association's prior approval:

(a) any change in the infrastructure upgrading works referred to under Part A (c) (i) to (iv) of the Project; and

(b) any additional Secondary City with a proposal for priority infrastructure upgrading works to be carried out under Part A (c) (v) of the Project, and for their management under Part D (c) of the Project.

Section 3.03. The Borrower shall open, on terms and conditions satisfactory to the Association, and thereafter maintain, a land servicing revolving fund in a financial institution, satisfactory to the Association, and cause to be deposited into said fund the land servicing fees collected from developers and/or beneficiaries of serviced lots pursuant to Section 3.05 of this Agreement. The proceeds of said fund in respect of development operations shall be used exclusively to finance land servicing operations acceptable to the Association.

Section 3.04. During the period the Project is carried out, the Borrower shall maintain the Urban Land Servicing Steering Committee with such membership, responsibilities and terms of reference as shall be satisfactory to the Association.

Section 3.05. In order to carry out Part B (a) of the Project, the Borrower shall prepare a plan and an implementation program, satisfactory to the Association, for a land servicing operation covering an area of about 200 ha in the City of Conakry; said program shall provide for procedures to select developers for new land development sites, reserving at least one third of each site for private developers and setting a land servicing fee per developed square meter to be charged by the Borrower to developers and/or beneficiaries and deposited into the fund referred to under Section 3.03 of this Agreement.

Section 3.06. The Borrower shall, not later than October 1, cause MUH to:

(a) make arrangements with water, power and telephone utility companies for the execution of strengthening and developing works of their respective networks, and for the provisions of water, electricity and telephone at sites to be serviced and developed under the Project;

(b) make arrangements with the City of Conakry for the management of road and drainage works; and

(c) establish a technical working group within DATU, responsible for coordination and supervision of said works.

Section 3.07. In order to carry out Part B of the Project, the Borrower shall through MUH after consultation with the Urban Land Servicing Steering Committee referred to under Section 3.04 of this Agreement:

(a) publish, not later than April 1, 1991:

(i) a list of approved blocks developers, on the basis of selection criteria acceptable to the Association; and

(ii) basic land development regulations, applicable to developers and plot occupants acceptable to the Association; and

(b) enter into agreements with each approved developer, setting forth said developer's:

(i) right to develop and subdivide a block, and to select planning standards, block lay-out, level of infrastructure services and resale conditions;

(ii) rights and obligations in financial, fiscal and technical matters; and

- (iii) obligation to award a discharge to occupants and initiate necessary administrative procedures for the delivery of occupancy certificates.

Section 3.08. The Borrower shall during the period the Project is carried out:

- (a) maintain UPSU under its current administrative and financial structure, with such functions, qualified management and financing plan as shall be acceptable to the Association; and

- (b) maintain a project director within MUH assisted by an administrative and financial coordinator whose qualifications and experience shall be acceptable to the Association.

Section 3.09. During the period the Project is carried out, the Borrower shall, not later than October 1 of each year, review with the Association the City of Conakry's draft budget, and UPSU's funding arrangements.

Section 3.10. 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 3.11. The Borrower shall carry out the compensation and resettlement of households affected under Part A of the Project in accordance with principles and practices satisfactory to the Association.

Section 3.12. The Borrower shall take all necessary measures for SOLOPRIMO to be incorporated as a commercial company before April 1, 1991.

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 and the land servicing revolving fund referred to under Section 3.03 of this Agreement, 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 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 (h) of the General Conditions, the following additional events are specified:

(a) Ordonnance No. 046/PRG/SGG/87 of May 28, 1987 has been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the execution of the Project.

(b) Ordonnance No. 010/PRG/SGG/90 of March 6, 1990 on the fiscal, financial and administrative organization of the City of Conakry has been amended, suspended, abrogated, repealed or waived in such way as to materially and adversely affect the execution of the Project.

(c) The Grant and Loan Agreements referred to under Whereas B, C and D of this Agreement shall have failed to become effective by December 31, 1990, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

(d) (i) Subject to subparagraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (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 (d) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraph (a) or (b) of Section 5.01 of

this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the documentation introducing the land servicing fee referred to under Section 3.05 of this Agreement has been signed;

(b) the documentation on the establishment and operation of the revolving fund referred to in Section 3.03 of this Agreement has been signed;

(c) the documentation on the organization and operation of the City of Conakry and its communes has been signed;

(d) the documentation on the establishment of the Urban Land Servicing Steering Committee referred to under Section 3.04 of this Agreement has been signed; and

(e) the Project Director referred to in Section 3.08 (b) of this Agreement has been appointed.

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 responsible for Urban Affairs and Housing 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:

Ministere de l'Urbanisme et
de l'Habitat
B.P. 846
Conakry
Republic of Guinea

Telex:

22352 MEUGE

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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.

REPUBLIC OF GUINEA

By /s/ Moussa Sangare

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:

Amount of the Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(1) Civil Works for:		
(a) Conakry Infra- structure	19,250,000	90%
(b) Secondary Cities	3,800,000	90%
(c) Land Develop- ment	1,350,000	100%
(2) Materials, vehicles and Equipment for:		
(a) MUH 450,000	100%	
(b) City of Conakry	830,000	100%
(c) UPSU 530,000	100%	
(3) UPSU's operating expenses:		
(a) in fiscal year 1991	150,000	40%
(b) in fiscal year 1992	110,000	40%
(c) in fiscal year 1993	75,000	40%
(d) in fiscal year 1994	40,000	40%

(4)	Technical Assistance and Training		
	(a) MUH	3,550,000	100%
	(b) City of Conakry	2,250,000	100%
	(c) UPSU	250,000	100%
(5)	Studies and works supervision	4,850,000	100%
(6)	Unallocated	5,515,000	
	TOTAL	43,000,000	

2. For the purposes of this Schedule, the term "UPSU's operating expenses" means expenditures incurred under Part D (b) of the Project for vehicle repair, spare parts and oil and petroleum products and office supplies.

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) Category 1 (c) before the Borrower has adopted the plan and te implementation program, referred to in Section 3.05 of this Agreement; and

(c) Category 3 (a), (b), (c) or (d) respectively, unless the Association is satisfied with the actual results of the implementation of UPSU's budget and of the transfers of UPSU's appropriations in the City of Conakry's budget in the previous year, and the proposed level of funding of UPSU in the City of Conakry's budget for the following year.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) finance a priority urban infrastructure upgrading program in Conakry and selected Secondary Cities;

(b) support the implementation of the Borrower's new housing and land development policy;

(c) continue to assist the development of small construction enterprises; and

(d) strengthen urban institutions including support for the improvement of local resource mobilization and delivery of urban services.

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: Priority Urban Infrastructure

(a) Strengthening of the primary road network in Conakry through the improvement of key links:

(i) Upgrading of the Coyah Road (about 5.8 km), east of the Gbessia Airport, consisting of two 7.5 meter-wide, doubl lane roads with median strip.

(ii) Upgrading of the Hamdallaye-Bellevue Road (about 2.1 km) to increase its existing capacity, consisting of two 7.5 meter-wide, double lane roads with median strip, reconstructing the Bellevue bridge to increase its width to four lanes, and upgrading and redesign of four intersections.

- (iii) Rehabilitation of LePrince Road from Hamdallaye intersection to its intersection with Road T2; the first section, Hamdallaye to Road T1 (about 0.5 km) to consist of two 7.5 meter-wide, double lane roads with median strip, and the second section between Roads T1 and T2 (about 2.8 km) to consist of a 7.5 meter-wide, double lane road.
 - (iv) Construction of Road T1 consisting of a 14 meterwide road without median strip (about 2.8 km).
 - (v) Clearing of Land for Road T2 (about 5 km).
 - (vi) Rehabilitation of the northern coastal road between the Kaporo bridge and Road T4 (Lambanyi), including realignment of about 4.7 km and construction of two bridges.
 - (vii) Extension of Road T4 through the land developed under Part B of the Project.
 - (viii) Compensation and resettlement of households affected by the the road rehabilitation or construction under this Project.
- (b) Rehabilitation of Conakry's drainage network covering the following five drainage basins:
- (i) Coronthie South (about 45 ha), including the rehabilitation of about 1.2 km of existing drains and construction of about 4.1 km of new collector drains and one culvert.
 - (ii) Railway station area (about 40 ha), including the rehabilitation of about 0.6 km of existing drains and the construction of 3.2 km of new collector drains and two culverts.
 - (iii) Tombo area (about 13 ha) including the rehabilitation of about 0.8 km of existing collector drains and two culverts.
 - (iv) School area in Kipe (about 23 ha), including the rehabilitation of about 0.8 km of existing collector drains and two culverts.
 - (v) University area (about 60 ha), including the rehabilitation of about 0.5 km of existing drainage network, the reconstruction of an existing canal about 0.8 km long, and the construction of ocean outlets.
- (c) Priority infrastructure in Secondary Cities:
- (i) Kindia: upgrading of access roads to the neighborhoods of Kenende and Woudi.
 - (ii) Labe: construction of a drainage network in the town center and the recalibration and protection of the creeks encircling the downtown area.
 - (iii) Kankan: rehabilitation of a primary rainwater drain and upgrading of a road linking major residential areas to the city center.
 - (iv) N'Zerekore: rehabilitation of a market and a bus and truck terminal.
 - (v) other priority infrastructure upgrading works in additional Secondary Cities.
- (d) Strengthening of DATU through: engineering studies for civil works to be carried out under the Project, training programs and technical assistance to assist it in the carrying out of contracting and supervision of civil works under the Project.

(a) Preparation of a plan and an implementation program for a new land development site of about 200 ha on the outskirts of Conakry development of Secondary Infrastructure Networks on such site including the construction of about 8.5 km of roads, about 9 km of earth drains and of 22 culverts.

(b) Preparation of engineering studies for secondary road and drainage networks of the new land development site by DATU, including cost estimates for civil works and regulations governing subdivision of blocks into lots and servicing of blocks by developers.

(c) Strengthening of housing sector institutions: DATU's capabilities in strategic planning, studies and supervision of works, SOLOPRIMO's technical and commercial capacity, the City of Conakry's basic infrastructure construction capacity, and DAFO's capacity in land documentation management.

(d) Feasibility study for the establishment of a network of small savings and loans agencies serving residential homeowners' needs.

Part C: Small Construction Enterprises

Support to small enterprises in the construction sector and to industries of local construction materials, including management and accounting training and creation of a technical and commercial data base.

Part D: Institutional Strengthening

(a) Resource Mobilization for Conakry

(i) Strengthening of the City of Conakry's fiscal and accounting services and income generating capacity.

(ii) Introduction of a municipal tax reform, including reform of tax on professional activities, property tax and vehicle tax.

(iii) Training of Conakry's municipal employees in financial management and municipal accounting.

(b) Management of UPSU

(i) A study of the optimal structure, mandate and staffing of UPSU.

(ii) Training of UPSU's staff in management, accounting and technical areas.

(iii) Provision of equipment to strengthen UPSU's capacity to deliver services whose costs can be charged directly to beneficiaries.

(c) Strengthening of urban management in Secondary Cities.

(d) Strengthening of MUH's project management capabilities, and preparation of a follow-up Project.

* * *

The Project is expected to be completed by June 30, 1995.

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).

2. To the extent practicable, contracts for equipment and materials shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

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 Republic of Guinea 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. Equipment and materials estimated to cost between the equivalents of \$50,000 and \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$700,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Equipment and materials estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Fuel, lubricants and spare parts for vehicles up to an aggregate amount not to exceed the equivalent of \$1,300,000 may be purchased by direct negotiated purchase in a manner acceptable 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 goods and works estimated to cost the equivalent of \$300,000 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 a 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 a 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.

2. The figure of 10% 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 engineering, financial and urban development 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

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2(a), (b) and (c), 4 and 5 for the MUH Special Account, and Category 3 for UPSU 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 I to this Agreement; and

(c) the term "Authorized Allocation" means an amount of \$1,000,000 for the Urban Development Special Account and \$100,000 for the UPSU 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 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 said Special Account shall be made as follows:

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

4. For each payment made by the Borrower out of 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 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; or

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

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

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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 that 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 that 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 a 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.

