

CONFORMED COPY

LOAN NUMBER 4283-MAS

Loan Agreement

(Environmental Sewerage and Sanitation Project)

between

REPUBLIC OF MAURITIUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated September 14, 1998

LOAN NUMBER 4283-MAS

LOAN AGREEMENT

AGREEMENT, dated September 14, 1998, between REPUBLIC OF MAURITIUS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Bank has received a letter dated January 21, 1998, from the Borrower describing a program of actions, objectives and policies designed to reform the Borrower's sewerage and sanitation sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) Parts A and C of the Project will be carried out by the Waste Water Authority (WWA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to WWA part of the proceeds of the Loan as provided in this Agreement;

(D) the Borrower intends to contract from the Overseas Economic Cooperation Fund of Japan (OECF), a loan (the OECF Loan) in an amount equivalent to US\$33,600,000 to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and OECF; and

WHEREAS the Bank has agreed on the basis, inter alia, of the foregoing to extend the Loan 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 Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read: "Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "CWA" means the Central Water Authority, established by the Borrower, pursuant to the Central Water Authority Act, No. 20 of 1971, of the laws of the Borrower, as amended;
- (b) "Environmental Mitigation Plan" means the plan adopted by the Borrower and WWA on June 9, 1998, for the mitigation of the adverse effects of activities under the Project;
- (c) "GIS" means Geographic Information System;
- (d) "Implementation Agreement" means the agreement to be entered into between the Borrower and WWA, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Implementation Agreement;
- (e) "Institutional Action Plan" means the action plan prepared by the Borrower for the restructuring of WWA;
- (f) "Mauritian Rupee" and "Mau Rs" mean the currency of the Borrower;
- (g) "Maîtrise d'Ouvrage déléguée" means an arrangement whereby the Borrower, as owner of assets, delegates certain rights, prerogatives and responsibilities to WWA for a certain period of time, under the terms and conditions to be set out in the Implementation Agreement;
- (h) "MEDRC" means the Borrower's Ministry of Economic Development and Regional Cooperation;
- (i) "MLGE" means the Borrower's Ministry of Local Government and Environment;

(j) "MPU" means the Borrower's Ministry of Public Utilities;

(k) "NSP" means the National Sewerage Program, adopted by the Borrower in April 1994;

(l) "Project Agreement" means the agreement between the Bank and WWA, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplementary to the Project Agreement.

(m) "PIP" means the Project implementation plan, adopted by the Borrower and WWA for the implementation of the Project, which includes, inter alia, sector reforms and implementation of: (i) a cost-recovery system; (ii) the Institutional Action Plan; and (iii) monitoring and evaluation by MPU and WWA;

(n) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to a letter, dated August 6, 1996, from the Bank and confirmed by the Borrower on October 4, 1996;

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

(p) "Steering Committee" means the interministerial committee, responsible for Project oversight referred to in paragraph 1 of Schedule 5 to this Agreement; and

(q) "WWA" means the Waste Water Authority, established within MPU by the Borrower pursuant to the Waste Water Act, No. 12 of 1991, of the laws of the Borrower, as amended.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twelve million four hundred thousand Dollars (\$12,400,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan 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, 2003, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from, and including the date of this Agreement to but excluding, the first Interest Payment Date occurring thereafter, and after the initial period,

each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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:

(i) shall carry out Part B of the Project through MPU, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and environmental practices and provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause WWA to perform in accordance with the provisions of the Project Agreement all the obligations of WWA therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable WWA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan allocated from time to time to Categories (1) and (2) (a) of the table in paragraph 1 of Schedule 1 to this Agreement available to WWA under an implementation agreement to be entered into between the Borrower and WWA under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree,

shall not assign, amend, abrogate or waive the Implementation Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports and maintenance, respectively) shall be carried out by WWA pursuant to Section 2.03 (a) of the Project Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank and furnish to Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan. Section 3.05. The Borrower shall implement the Environmental Mitigation Plan in accordance with the timetable contained therein.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

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

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

Section 4.02. The Borrower shall, by July 1, 1998, introduce a wastewater tariff as a surcharge to its water tariff, the amount of such surcharge shall be determined on the basis of the amount of water utilized by the customer concerned at the rates

referred to in Schedule 6 to this Agreement.

ARTICLE V

Remedies of the Bank

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

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

(b) WWA shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that WWA will be able to perform its obligations under the Project Agreement.

(d) The Waster Water Authority Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of WWA to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of WWA or for the suspension of its operations.

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

(A) the right of the Borrower to withdraw the proceeds of the OECF Loan made to the Borrower for the financing of the Project shall have been suspended, canceled 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 Bank 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 (h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (b), (c), (d) and (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of Bank within the meaning of Section 12.01 (c) of the General Conditions:

(a) the OECF Loan Agreement has been executed and delivered and all conditions precedent to the initial disbursement of the OECF Loan other than those related to the effectiveness of this Loan Agreement, have been fulfilled;

(b) WWA has selected the consultants for Part C.1 of the Project in accordance with the provisions of Section II of Schedule 4 to this Agreement;

(c) the Borrower has adopted a program adapted to the Mauritian conditions and acceptable to the Bank for the monitoring of waste water quality;

(d) the Borrower and WWA have adopted the PIP; and

(e) the Borrower has furnished to the Bank, evidence satisfactory to the Bank, that the land for the construction activities under Part A of the Project has been acquired and rights in respect of such land are available for the purposes of the Project.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank namely that the Project Agreement has been duly authorized or ratified by WWA, and is legally binding upon WWA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Government House
Port Louis
Mauritius

Cable address:

MINFIN
Port Louis

Telex:

4247
EXTERN IW

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, DC

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.

REPUBLIC OF MAURITIUS

By /s/ Chitmansing Jesseramsing

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Loan Allocated (Expressed in Dollar Equivalent) | % of Expenditures to be Financed |
|---|--|--|
| (1) Civil works | 6,600,000 | 55% |
| (2) Consultants' services: | | 80% |
| (a) for Parts A and C of the Project | 3,500,000 | |
| (b) for Part B of the Project | 1,500,000 | |
| (3) Refunding of Project Preparation Advance | 300,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |
| (4) Unallocated | 500,000 | |
| TOTAL | 12,400,000 | |

2. 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made in respect of Categories (2) (a) and (2) (b) on account of payments made for expenditures before that date but after December 1, 1997; and

(b) payments for expenditures under Category (1) until the Implementation Agreement has been executed.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for works under contracts not exceeding \$200,000 equivalent and services under contracts not exceeding \$100,000 equivalent, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve the health and sanitary conditions of the populations of the heavily urbanized areas of Port Louis and affected coastal zones; (ii) reverse the current trend of environmental pollution in the Borrower's territories and in the coastal zone; and (iii) support the Borrower's effort to implement priority institutional and technical measures identified in its Sewerage Master Plan.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Montagne Jacquot Sewerage System

1. Construction of: (a) sewerage pipelines, including transmission and rising mains, from the Fort Victoria and Pointe aux Sables pumping stations to the Montagne Jacquot sewerage treatment plant; and (b) pipelines connecting industrial estates and residences to the transmission mains.
2. Construction, and operation and maintenance, of two pumping stations at Fort Victoria and Pointe aux Sables.
3. Construction, and operation and maintenance, of a sewerage treatment plant at Montagne Jacquot with the capacity to handle about a 48,000 cubic meter flow of sewerage.
4. Construction of a sea outfall of about 645 meters off the coast of Montagne Jacquot.
5. Construction by industries of pretreatment works for the treatment of industrial effluents.
6. Provision of technical advisory services for the supervision of all construction activities under Parts A.1 through A.5 of the Project.

Part B: Sector Studies

1. Carrying out of the following studies:
 - a) mapping of the sewer networks;
 - b) a household connection inventory and feasibility study;
 - c) a GIS and digital software study; and
 - d) a review of sector institutions, WWA, CWA, the Water Resource Unit of MPU, MLGE and the Ministry of Agriculture, Fisheries and Cooperatives.
2. Carrying out a public awareness campaign on the NSP, including seminars, workshops and dissemination of information.
3. Carrying out a Project implementation audit and such other related studies.

Part C: WWA Institutional Strengthening

1. Strengthening of WWA to enable it to undertake its role under the Project, as "Maîtrise d'Ouvrage déléguée" through the provision of technical advisory services.
2. Carrying out of a program for the training of WWA staff in the following areas, namely project management, facilitation of private sector involvement in wastewater services, construction supervision, monitoring environment quality and standards and planning of future sector investments.
3. Establishment by WWA of pretreatment standards, methods, monitoring arrangements and incentives for the treatment of industrial waste.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in Dollars)* |
|---|---|
| On each April 15 and October 15 beginning October 15, 2003 | |

| | |
|--------------------------|---------|
| through October 15, 2010 | 620,000 |
| On April 15, 2013 | 620,000 |

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement

Section I. Procurement of Works

Part A: General

Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. 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 works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works shall be prequalified 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 works shall be grouped in bid packages estimated to cost \$2,000,000 equivalent or more each.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under the Project estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Services for audits, estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for assistance to WWA and MPU under Parts B and C of the Project, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the 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 Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 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 consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

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

apply.

SCHEDULE 5

Implementation Program

1. The Borrower shall maintain, until completion of the Project, the Steering Committee chaired by MEDRC and comprised of high-level representatives of MEDRC, MPU, the Ministry of Finance and MLGE, to be responsible for oversight of the Project, policy guidance and coordination of all Project and Program activities.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by March 31 and September 30 in each year commencing September 30, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and in the case of the reports due on March 31 an update of the Institutional Action Plan, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 30 and October 31 of each year or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, 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 Bank's views on the matter.

3. (a) The Borrower shall, not later than June 30, 1999, carry out jointly with the Bank and WWA a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the NSP, the Program and the Project; (ii) the various studies under Part B of the Project; (iii) the progress made in the implementation of the policy reforms, institutional arrangements, tariffs and cost-recovery system, regulatory framework and private sector participation; (iv) the evolution of the role of WWA in the sector; and (v) an integrated vision of the public utilities sectors.

(b) The Borrower shall, three months before such review, prepare and furnish to the Bank reports, in scope and detail satisfactory to the Bank, needed to undertake the review, including the preparation of a program of action, to deal with deficiencies in Project implementation identified prior to such review.

(c) Based on such review, the Borrower shall promptly prepare an action plan, satisfactory to the Bank, for the further implementation of the Project and the Program, and shall thereafter implement such action plan.

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

SCHEDULE 6

Performance Indicators

I. Tariff Rates Referred to in Section 4.02 of the Agreement:

Water tariffs

(Mau Rs per cum)
1998/99
1999/00
2000/01
2001/02
2002/03
2003/04

Domestic

6.38.59.1

Commercial

13.614.916.2

Government1

3.614.916.2

Wastewater tariffs

(Mau Rs per cum)

1998/99

1999/00

2000/01

2001/02

2002/03

2003/04

Domestic

2.86.49.1

Commercial

13.614.916.2

Government

13.614.916.2

II. Project Output

1. a. Transfer of effluents works begin in 1999, completed by 2001.

c. Cost-recovery system established by July 1998. Wastewater tariffs determined on metered water consumption, collected by CWA and transferred to WWA.

d. (ii) Sewer reticulation to carried out.

2. Improved sector management and interagency coordination.b. Working ratio increases from 50% in 1998 to 85% in 2002/2003 (NSP operation).

d. Outsourcing of O&M on existing infrastructure increasing from 0% in 1998/1999 to 75% in 2002/2003.

e. Sector legislation reform: (i) review sector legal framework (February 1998); (ii) draft MPU/WWA contract of delegation (March 1998); (iii) draft WWA Act (April 1998) and promulgated (September 1998); (iv) review other related legislation (September 1998) and draft revisions by Midterm Review (June 1999); (v) integrated water/wastewater policy framework to be drafted by Midterm Review (June 1999); and (vi) new contract of delegation to be signed (February 2001).

3. Better compliance with wastewater regulations by industry

3.a. WWA/Industry Agreement negotiated by May 1999 and signed by June 1999.

c. Industrial effluent meets standards agreed in WWA/Industrial Agreement by 2003.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) (a) and (2) (b) 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 Loan allocated from time to time to the eligible Category[ies] in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,000,000.

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 Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

