

Conformed Copy

CREDIT NUMBER 2748 GUB

DEVELOPMENT CREDIT AGREEMENT

(Transport and Urban Infrastructure Project)

between

REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 16, 1995

CREDIT NUMBER 2748 GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 16, 1995, between REPUBLIC OF GUINEA-BISSAU (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 15, 1995 from the Borrower describing a program of actions, objectives and policies designed to implement the Borrower's strategy in the transport and urban sectors (hereinafter called the Program), and declaring the Borrower's commitment to the execution of such program;

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

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, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (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 member of the Association or for goods procured 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 Association, 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 have the following meanings:

- (a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (b) "Project Account" means the account referred to in Section 3.02 of this Agreement;
- (c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 16, 1994 and May 30, 1994 between the Borrower and the Association;
- (d) "AGEOPPE" means Agencia Guineense de Execuþo de Obras de Interesse Publico e Promocao de Emprago, a non-profit association established pursuant to a Decreto-Lei dated May 12, 1995;
- (e) "Manual of Procedures" means the manual of Procedures for AGEOPPE referred to in Section 3.01 (d) of this Agreement, as the same may be amended from time to time by AGEOPPE with the prior approval of the Borrower and the Association;
- (f) "RODOFLUVIAL" means the Empresa Publica de Transportes Rodoviaros e Fluviais, the road and river transport company of the Borrower, a public enterprise established pursuant to Decreto-Lei No. 36-B/84 published in the Boletim Oficial dated December 28, 1984;
- (g) "SILODIATA" means the urban bus company of the Borrower, a public enterprise established pursuant to Decreto-Lei No. 4/76 published in the Boletim Oficial dated February 14, 1976;
- (h) "TAGB" means the Transporte Aero do Guinea-Bissau, the airline company of the Borrower, a public enterprise established pursuant to Decreto-Lei No. 7/86 published in the Boletim Oficial dated March 22, 1986;
- (i) "Subprojects" means the projects proposed by AGEOPPE and approved by the Borrower and the Association for financing under the Project;

(j) "Peso" means the currency of the Borrower;

(k) "MES" means the Borrower's Ministerio de Equipamento Social, the Ministry of Social Equipment;

(l) "Subsidiary Agreement" means the agreement to be entered into by the Borrower and AGEOPPE in accordance with Section 3.01 (b) of this Agreement;

(m) "Road Fund" means the Fund established pursuant to Decreto-Lei No. 19/84 published in the Boletim Oficial dated June 23, 1984 for the purpose of controlling, managing and collecting road user fees; and

(n) "Fiscal Year" or "FY" means the fiscal year of the Borrower which begins from January 1 and ends December 31 of each year.

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 fourteen million Special Drawing Rights (SDR 14,000,000).

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 the name of AGEOPPE, in dollars a special deposit account in commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 2000 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next

payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 June 15 and December 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 semiannual installments payable on each June 15 and December 15 commencing December 15, 2005 and ending June 15, 2035. Each installment to and including the installment payable on June 15, 2015 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause AGEOPPE to carry out the Project with due diligence and efficiency and in conformity with appropriate financial, administrative,

engineering, environmental and technical practices, shall take or cause to be taken, all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGEOPPE to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by AGEOPPE.

(b) For the purpose of carrying out the Project, the Borrower shall enter into an agreement with AGEOPPE (the Subsidiary Agreement), on terms and conditions satisfactory to the Association, which shall include, inter alia:

- (i) delegation of authority for all procurement actions and for award, signature and payment of contracts;
- (ii) provision for the transfer of the proceeds of the Credit;
- (iii) the methods and procedures applicable to the passing of the Credit proceeds to AGEOPPE;
- (iv) the obligation of AGEOPPE to promptly inform the Borrower and the Association of any condition which interferes, or threatens to interfere, with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by AGEOPPE of its obligations under the Subsidiary Agreement;
- (v) the obligation of AGEOPPE to provide semiannual reports of such scope and in such detail as the Borrower and the Association shall reasonably request; and
- (vi) the obligation of AGEOPPE to take all measures necessary to ensure that the Project is carried out with due diligence and efficiency and in accordance with appropriate administrative, technical, environmental and financial practices.

(c) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall cause AGEOPPE to carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, and the terms and provisions of the Manual of Procedures.

Section 3.02. Without any limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) establish and maintain a Project Account in pesos in a commercial bank on terms and conditions satisfactory to the Association to be used exclusively for the purposes of meeting the Borrower's counterpart expenditures for the Project; and

(b) in addition to the initial deposit referred to in Section 7.01 (c) of this Agreement, deposit into the Project Account, promptly before each fiscal semester, sufficient funds to pay the Borrower's contribution to the financing of the Project required for such fiscal semester, as estimated by the

Borrower in consultation with the Association and AGEOPPE.

Section 3.03. 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 3.04. The Association and the Borrower 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, maintenance and land acquisition, respectively) shall be carried out by AGEOPPE.

Section 3.05. The Borrower shall: (a) not later than December 31, 1997, carry out jointly with the Association a midterm review of the Project, during which they shall exchange views generally on the progress achieved in the carrying out of the Project and the performance by the Borrower of its obligations under this Agreement and, in particular, the overall performance of AGEOPPE as measured against the performance monitoring indicators set forth in the Manual of Procedures;

(b) in order to facilitate the midterm review referred to in paragraph (a) above, cause AGEOPPE to prepare and submit to the Borrower and the Association, not later than four weeks before the scheduled date of the midterm review, a report of Project activities of such scope and in such detail as the Association shall have reasonably requested; and

(c) prepare an action plan, satisfactory to the Association, based on and having due regard to the recommendations of the said review and thereafter adopt and implement such plan.

Section 3.06. The Borrower shall: (a) not later than March 31, 1996, carry out a study (including an action plan) on privatization or liquidation of TAGB; and (b) not later than June 30, 1996 implement such action plan in a manner satisfactory to the Association.

Section 3.07. The Borrower shall, not later than December 31, 1996: (a) adopt an action plan with a timetable, satisfactory to the Association, describing, inter alia, the modalities for the privatization of the ferry services and the maritime operations of RODOFLUVIAL respectively, and the fare and subsidy policies of the Borrower affecting ferry services and maritime operations; and (b) thereafter promptly implement such plan in a manner satisfactory to the Association.

Section 3.08. The Borrower shall, not later than December 31, 1995 terminate RODOFLUVIAL's road-haulage activities.

Section 3.09. The Borrower shall not without the prior approval of the Association, modify the priority network of roads as defined in paragraph 5.1 of Annex 1 of the letter dated May 15, 1995 describing the Program.

Section 3.10. The Borrower shall, on the basis of the recommendations of the study referred to in Part C.1 (ii) of Schedule 2 to this Agreement, not later than December 31, 1996: (a) adopt an action plan with a timetable, satisfactory to the Association, describing, inter alia, actions and measures necessary to promote the participation of road users in the management of the Road Fund; and (b) thereafter promptly implement such action plan.

Section 3.11. Without limitation to the generality of the provisions of Section 3.01 of this Agreement with regard to the provision of funds, the Borrower shall: (a) take all measures

required to increase the annual revenues of the Road Fund from the current level in Pesos equivalent to: (i) \$555,000 in FY 1996, (ii) \$580,000 in FY 1997, (iii) \$595,000 in FY 1998, and (iv) \$600,000 in FY 1999; (b) ensure that the proceeds of the Road Fund shall be used primarily to defray the cost of road maintenance work programs; (c) have the Road Fund accounts and records for each FY audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association; (d) by March 31 of each year submit the report of such audit to the Association for its review and comment; and (e) by the end of each calendar year submit to the Association for its reviews and comments a report on the collection and use of the Road Fund proceeds.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause AGEOPPE to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of AGEOPPE.

(b) The Borrower shall cause AGEOPPE to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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 three months after the end of each such year, (A) certified copies of its financial statements for such year as so audited, and (B) 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 such records, accounts, financial statements 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, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and

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

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause AGEOPPE:

- (a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;
- (b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, environmental and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and
- (c) at all times to operate and to maintain its equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) the statutes of AGEOPPE shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AGEOPPE to perform any of its obligations under the Subsidiary Agreement;
- (c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AGEOPPE or for the suspension of its operations;
- (d) The Manual of Procedures, or any provision thereof, shall have been altered, amended or disregarded without the prior consent of the Association; and
- (e) AGEOPPE shall have failed to perform any of its obligations under the Subsidiary Agreement.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, any event specified in paragraphs (b), (c) or (e) of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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 Subsidiary Agreement has been executed on behalf of the Borrower and AGEOPPE;

(b) the Borrower has signed a contract engaging the auditors referred to in Section 4.01 (b) of this Agreement on terms and conditions satisfactory to the Association and has furnished an opinion by said auditors that the accounting system of AGEOPPE meets the requirements specified in Section 4.01 of this Agreement;

(c) the Borrower has opened the Project Account and has deposited therein the initial deposit in an amount in pesos equivalent to one hundred ninety thousand dollars (\$190,000);

(d) the technical and administrative and financial directors of AGEOPPE have been employed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(e) AGEOPPE has submitted to the Borrower and the Association Subprojects acceptable to the Borrower and the Association to be financed during the first year following the Effective Date;

(f) AGEOPPE has selected the consultants to be recruited, for implementation of Parts C.1 (ii), C.2 and C.3 of the Project in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(g) the Borrower has adopted regulations, satisfactory to the Association, setting the rates of charges to be collected by the Road Fund from the road users during the first year of the Project;

(h) the Borrower has dismantled the units of MES carrying out road maintenance under force account methods, by offering for sale or lease equipment and redeploying staff; and

(i) the Borrower has issued the Decree (Decreto-Lei) ordering the liquidation of SILODIATA and appointing the members of the liquidation commission to oversee the liquidation of SILODIATA.

Section 7.02. 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 Subsidiary Agreement has been duly authorized or ratified by the Borrower and AGEOPPE and is legally binding upon the Borrower and AGEOPPE in accordance with its terms.

Section 7.03. 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 VIII

Representatives of the Borrower; Addresses

Section 8.01. The Minister in charge of finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio das Financas
C.P. 67
Bissau, Guine-Bissau

Cable address:

MEF

Telex:

257 MEF BI

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

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

REPUBLIC OF GUINEA-BISSAU

By /s/ Alfredo Cabral

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kevin Cleaver

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works		

(a) under the Project with the exception of Part A.3	9,000,000	95%
(b) under Part A.3 of the Project	900,000	95% until December 31, 1996 85% until December 31, 1997 70% until December 31, 1998 60% until December 31, 1999 and 0% thereafter
(2) Goods	400,000	100% of foreign expenditures and 95% of local expenditures
(3) Consultants' Services	1,600,000	100%
(4) AGEOPPE Services	750,000	100%
(5) Refunding of Project Preparation Advance	570,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	780,000	
TOTAL	14,000,000	=====

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 "AGEOPPE services" means the expenditures incurred for the payment of the services of AGEOPPE, including:

- (i) staff, office and administration costs, and
- (ii) travel expenses.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding \$150,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) improving the management of the economic and social urban infrastructure sector, (ii) rehabilitating transport and urban infrastructure, and (iii) increasing the efficiency of private small and medium size enterprises to carry out works within the transport and urban infrastructure sectors.

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: Rehabilitation and Maintenance of Roads and Ports

1. Rehabilitation of about 150 kilometers of roads, including the construction of necessary engineering structures such as service bays, inverts, culverts, and small bridges.
2. Periodic maintenance of about 90 kilometers of roads through, inter alia, the scarification of the pavement, grading and shoulder regravelling, and small engineering structures.
3. Routine maintenance of the road network through selective interventions including the cleaning out of ditches, the filling of potholes, the regravelling of dirt roads, the grass clearance of shoulders, and the installation of wet set barriers.
4. Rehabilitation of the ports of Bubaque and Cacheu including the rehabilitation of the quay, berthing structures and storage facilities.

Part B: Urban Infrastructure Rehabilitation and Maintenance

1. Water and Sanitation:

(a) Rehabilitation of the primary network of water distribution network including the replacement of about 7 kilometers of leaking main water pipes, the rehabilitation of water storage, the connection and extension of about 2.4 kilometers of 200-250 mm water pipes, and the strengthening of about 4.5 kilometers of piping.

(b) Rehabilitation of earth and concrete drainage including the rehabilitation of four outlets, clearing of existing and of new construction of essential earth and concrete drainage.

(c) Implementation of a pilot program intended to develop adapted and sustainable methods for solid waste collection and disposal.

2. Street Paving and Drainage:

Carrying out of a street improvement program in Bissau and seven secondary market towns (Buba, Bissora, Canchungo, Farim, Bafatu, Gabu and Catio) including street paving for motorized and non-motorized traffic, the repairs of sidewalks and culverts, and the construction of neighborhood access streets and intersections.

3. Small Urban Infrastructure:

(a) Rehabilitation and construction of small economic and social infrastructures, such as primary schools, basic health centers, neighborhood markets, butcheries and small terminals for inter-city transport.

(b) Carrying out strategic studies to improve investment planning and maintenance of social infrastructure in urban areas.

Part C: Capacity Building; Management

1. Institutional strengthening of MES through, inter alia, carrying out studies on: (i) traffic, (ii) the Road Fund administration and management, and (iii) future sectoral operations, the carrying out of in-service training, short-term training program abroad for the staff, the provision of technical advisory services, the acquisition of office equipment (including computers and materials), vehicles and the rehabilitation of existing facilities of MES.

2. Carrying out of short-term workshops on business administration, financial management, work organization and labor intensive techniques for contractors, architects and engineers taking part in the execution of the Project.

3. Strengthening of the capacity of the municipalities, neighborhood and user associations to secure minimum funding or participation for the maintenance of existing urban infrastructure, through information programs and the provision of technical advisory services to assist in the preparation of feasibility studies and technical project proposals.

4. Institutional strengthening of AGEOPPE through, inter alia, the acquisition of goods (including office equipment, computers and vehicles) and the provision of technical advisory services.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and 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 (the Guidelines) and the following provisions of this Section, as applicable.

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) Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

(b) 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$500,000 equivalent or less per contract and \$15,500,000 equivalent or less in the aggregate and goods estimated to cost \$150,000 equivalent or less per contract and \$200,000 equivalent or less in the aggregate, 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 \$20,000 equivalent or less per contract and \$100,000 equivalent or less in the aggregate, 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.

Part D: 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 Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works and goods estimated to cost the equivalent of \$150,000 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. AGEOPPE:

1. The AGEOPPE Board consists of, inter alia, the mayor of Bissau, a representative of the Chamber of Commerce, a representative of the Transporters Association, the recognized civic leader and the administrator.

2. AGEOPPE shall employ and maintain until completion of the Project, an administrator, a technical director, an administrative and financial director in accordance with the provisions of Section II of Schedule 3 to this Agreement.

3. AGEOPPE shall select the Subprojects to be financed under the Credit in accordance with the eligibility criteria set forth in the Manual of Procedures.

4. Proposals for the financing of Subprojects shall be submitted to review by AGEOPPE by the ministries of the Borrower, the municipalities, or community organizations.

5. AGEOPPE will first verify the compliance of Subprojects proposals with the eligibility criteria set out in the Manual of Procedures, including the promotion of intensive labor techniques, the creation of jobs, the neutral impact on the environment, the promotion of women participation and the furtherance of Project objectives.

6. (a) AGEOPPE will then identify the portfolio of selected Subproject proposals for the coming fiscal year and shall furnish to the Borrower and the Association for approval a list of selected Subprojects proposals not later than June 30 of each fiscal year.

(b) AGEOPPE will furnish the Borrower and the Association a list of the Subproject proposals which have not been selected, for their review together with the reasons for the non selection of such proposals.

7. (a) AGEOPPE shall enter into Subproject agreements, on terms and conditions satisfactory to the Association, for the execution of the Subprojects, with authorized representatives of the entities whose subproject proposal has been approved all in accordance with the Manual of Procedures.

(b) The Subproject agreements shall provide, inter alia, for a detailed description of the Subprojects, the procurement method, a schedule of payments, technical standards, and accounting procedures.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 \$1,500,000 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 shall be limited to an amount equivalent to \$750,000 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 \$5,000,000.

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 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 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 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 the 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 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 the 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.

