

**CONFORMED COPY**

**CREDIT NUMBER 3606 GM**

# **Development Credit Agreement**

**(Gateway Project)**

**between**

**REPUBLIC OF THE GAMBIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 21, 2002**

**CREDIT NUMBER 3606 GM**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated March 21, 2002, between REPUBLIC OF THE GAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated December 12, 2001, from the Borrower describing a program of objectives, policies and actions designed at achieving broad

based export-oriented and sustained growth (the Program), and declaring the Borrower's commitment to implementation of the Program;

(B) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of ten years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(C) 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;

(D) Parts A, B, D.1 and E of the Project will be carried out by the Gambia Investment Promotion and Free Zones Agency (GIPFZA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GIPFZA part of the proceeds of the Credit provided for in Article II of this Agreement (the Credit), as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower in support of the first phase of the Program, on the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and GIPFZA (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

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

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the 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) “DOSFEA” means the Borrower’s Department of State for Finance and Economic Affairs;

(b) “DOSTIE” means the Borrower’s Department of State for Trade, Industry and Employment;

(c) “Eligible Categories” means categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement;

(e) “EMPs” means the Environment Management Plans prepared for new activities to be carried out in the Free Zone, such activities not having been previously identified in the ESMP (as hereinafter defined), describing measures to mitigate against the potential environmental and social impacts of these activities;

(f) “ESMP” means the Environment and Social Management Plan dated August 14, 2001, and satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impacts of the Project, as the same may be updated from time to time with the agreement of the Association;

(g) “Free Zone” means the Free Zone to be developed at the Yundum Airport, established pursuant to the Borrower’s Free Zones Act No. 3 of March 1, 2001;

(h) “GDA” means the Gambia Divestiture Agency responsible for the implementation of the Borrower’s divestiture program, established and operating pursuant to the Borrower’s Divestiture Agency Act No. 4 of March 1, 2001;

(i) “GIPFZA” means the Gambia Investment Promotion and Free Zones Agency established and operating pursuant to the Borrower’s Investment Promotion Act No. 2 of March 1, 2001;

(j) “MOU” means the Memorandum of Understanding to be entered into between GIPFZA and NEA (as hereinafter defined) setting forth their respective roles in the Project’s environmental management, and referred to in Part B.4 of Schedule 4 to this Agreement and paragraph 3 (a) of the Schedule to the Project Agreement;

(k) "NEA" means the Borrower's National Environmental Agency established and operating pursuant to the Borrower's National Environmental Management Act No. 13 of May 24, 1994;

(l) "PCC" means the Project Coordination Committee responsible for the provision of strategic guidance to the implementing agencies under the Project, and referred to in Part B.1 of Schedule 4 to this Agreement and paragraph 2 of the Schedule to the Project Agreement;

(m) "Project Account" means the account referred to in Section 3.05 of this Agreement;

(n) "Project Agreement" means the agreement between the Association and GIPFZA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(o) "Project Coordinator" means the Project Coordinator referred to in Part B.2 of Schedule 4 to this Agreement, and responsible for the overall coordination of the implementation of the Project;

(p) "PIM" means the Project Implementation Manual referred to in Section 6.01 (d) of this Agreement, setting forth, *inter alia*, the policies, procedures and guidelines for the implementation of the Project, including financial, accounting, procurement and environmental management procedures, as may be amended from time to time in consultation with the Association, and such term includes any schedules to the PIM;

(q) "Project Management Report" means each report prepared in accordance with Section 4.02 of the Project Agreement;

(r) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to the letter agreements signed on behalf of the Association on April 13, 1993, October 19, 1993, May 3, 1994 and September 25, 1998, respectively, and on behalf of the Borrower on April 21, 1993, March 18, 1994, July 15, 1994, and October 8, 1998, respectively;

(s) "Project Quarter" means the three-month period beginning from the Effective Date and ending three months thereafter (the First Project Quarter) and any three-month period beginning at the end of the First Project Quarter, or at the end of any subsequent Project Quarter;

(t) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement; and

(u) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and GIPFZA, pursuant to Section 6.01 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such Agreement.

## 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 twelve million, four hundred thousand Special Drawing Rights (SDR 12,400,000).

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

(b) 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 Advances 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 Advances shall thereupon be canceled.

Section 2.03. The Closing Date shall be April 30, 2007, 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on

March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 2012 and ending September 1, 2041. Each installment to and including the installment payable on September 1, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### **ARTICLE III**

## **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts C and D.2 of the Project through the GDA, with due diligence and efficiency and in conformity with appropriate administrative, environmental, financial and engineering practices, and shall 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 the Development Credit Agreement shall, with respect to Parts A, B, D.1 and E of the Project, cause GIPFZA to perform in accordance with the provisions of the Project Agreement all of the obligations of GIPFZA therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GIPFZA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) 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 carry out Parts C and D.2 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make available to GIPFZA on a grant basis, the proceeds of the Credit allocated to categories 1, 2, 3 (a), 4 (a) and 5 of the table in Schedule 1, under a Subsidiary Agreement to be entered into between the Borrower and GIPFZA, for Parts A, B, D.1 and E of the Project.

(d) 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.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 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) for Parts A, B, D.1 and E of the Project shall be carried out by GIPFZA pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution for the financing of the Project:

(a) cause the Borrower to open and thereafter maintain, until the completion of the Project a Project Account in its Central Bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial contribution of \$240,000;

(c) thereafter replenish said account up to the initial amount of \$240,000 at the end of each Project Quarter until the completion of the Project, or whenever its balance shall be less than \$120,000; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition to those financed from the proceeds of the Credit.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(a) maintain or cause to be maintained, records and separate accounts reflecting such expenditures;

(b) 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(c) enable the Association's representatives to examine such records; and

(d) 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 Project Management Reports or 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. Notwithstanding the provisions of Section 4.01 (a) above, the Borrower shall ensure that GDA provides to GIPFZA records and separate accounts reflecting expenditures incurred by GDA in the implementation of Parts C and D.2 of the Project, and all such other information as GIPFZA may require for purposes of enabling GIPFZA to prepare consolidated financial statements for the Project in its entirety.

## **ARTICLE V**

### **Remedies of the Association**

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

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

(b) A situation shall have arisen which makes it improbable that the Program, or a significant part thereof shall be carried out.

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

(d) The Borrower's Investment Promotion Act No. 2 of 2001 governing the operations of GIPFZA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GIPFZA to perform any of its obligations under the Project 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 (a) and (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (d) of Section 6.01 of this Agreement shall occur.

## 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 Subsidiary Agreement has been executed on behalf of the Borrower and GIPFZA;

(b) the Borrower has caused GIPFZA to appoint an independent auditor, with qualifications and experience, and in accordance with terms, conditions and guidelines, that are acceptable to the Association;

(c) the Borrower's Project Account has been opened and the initial contribution referred to in Section 3.05 (b) of this Agreement has been deposited therein;

(d) the Borrower has adopted the PIM in a form and substance acceptable to the Association;

(e) the Borrower has caused GIPFZA to establish an accounting and financial management system satisfactory to the Association;

(f) the Borrower has caused GIPFZA and GDA to finalize the bidding documents for the procurement of all goods, works and services to be carried out in the first year of Project implementation; and

(g) the Borrower has enacted and passed into law the Regulatory Agency Bill.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by GIPFZA, and is legally binding upon GIPFZA in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and GIPFZA and is legally binding upon the Borrower and GIPFZA 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 Secretary of State responsible for Finance and Economic Affairs of the Borrower 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:

Department of State for Finance and Economic Affairs  
The Quadrangle  
Banjul  
Republic of The Gambia

Cable address:	Telex:	Facsimile:
MINFIN Republic of The Gambia	2264	(220) 227 954

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

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 THE GAMBIA

By /s/ John P. Bojang

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Acting Regional Vice President  
Africa

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works for Part A of the Project	3,200,000	100% of foreign expenditures and 70% of local expenditures
(2) Goods and Equipment for Part B of the Project	100,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultant Services		100% of foreign expenditures 70% of local expenditures

(a) Parts A, B, D.1 and E of the Project	3,700,000	
(b) Parts C and D.2 of the Project	1,900,000	
(4) Training		100% of foreign expenditures
(a) Part D.1 of the Project	300,000	70% of local expenditures
(b) Part D.2 of the Project	150,000	
(5) Incremental Operating Costs		70%
Year 2002	300,000	
Year 2003	200,000	
Year 2004	100,000	
Year 2005	50,000	
(6) Refunding of Project Preparation Advance	1,500,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	900,000	
	<u>12,400,000</u>	
TOTAL	=====	

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 “incremental operating costs” means the incremental costs of office supplies, communications, office rent, utilities, fuel, vehicle maintenance, insurance, audits, investment promotion expenses, and salaries and travel allowances of GIPFZA staff, incurred for purposes of carrying out the Project, but excluding salaries of the Borrower’s civil servants.

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 for: (a) goods or works under contracts not exceeding \$100,000 equivalent; (b) services under contracts not exceeding \$100,000 equivalent for employment of firms and \$50,000 equivalent for employment of individual consultants; (c) training; and (d) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of the Project Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of the Project Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of the Project Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01(b) (ii) of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A)

the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Not Made**  
**On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equal to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association

shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 4,000,000.

2. 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 deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, 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 said 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.

**Annex B**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Made**

## **On the Basis of Project Management Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$1,500,000.

### **SCHEDULE 2**

#### **Description of the Project**

The objective of the first phase of the Project is to lay the foundation for expanded private investment export-oriented production and employment opportunities, through the establishment of a Free Zone at Yundum Airport, and the creation of an improved institutional environment.

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:**            Establishment of a Free Zone

1. Construction of a Free Zone at Yundum Airport, including on-site and off-site infrastructure consisting of fences, access roads, water supply and sewage disposal facilities, electricity, telephones and a warehouse.
2. Supervision of construction through the provision of technical advisory services.

**Part B:**            Establishment of GIPFZA

1. Strengthening of the operational capacity of GIPFZA, through the provision of technical

advisory services and the acquisition of equipment.

2. Provision of technical advisory services to GIPFZA to carry out the following activities: (a) surveys, including market, and trade and facilitation surveys; (b) development of a business plan and an international marketing plan; (c) studies on river-free zone interfaces, and quality management systems at the Borrower's Customs and Excise Department; and (d) an investment promotion campaign, including, the organization of trade fairs and preparation of promotional materials.

Part C: Support to GDA

Provision of technical advisory services to assist the Borrower in: (a) carrying out its divestiture program; (b) monitoring the implementation of such program, including carrying out environmental audits of the public enterprises to be divested, and establishing a retrenchment and social safety net framework; and (c) carrying out a communication campaign to attract potential investors.

Part D: Capacity Building

1. Strengthening the capacity of GIPFZA to carry out the Program and Project activities, through the provision of technical advisory services and training.

2. Strengthening the capacity of GDA, the Borrower's Customs and Excise Department and the Project Coordinator to carry out the Program and Project activities, through the provision of technical advisory services and training.

Part E: Project and Environmental Management

1. Assisting the Project Coordinator in coordinating the implementation of the Project activities.

2. Carrying out of annual environmental and social assessments and updates to the ESMP and EMPs for activities to be carried out in the Free Zone, and implementation of mitigation measures identified in the ESMP and EMPs, as revised from time to time, through provision of technical advisory services.

\* \* \*

The Project is expected to be completed by October 31, 2006

**SCHEDULE 3**

## **Procurement and Consultants' Services**

### Section I. Procurement of Good and Works

#### Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

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

#### 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, as specified hereunder, apply respectively 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 and goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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.

#### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Goods estimated to more than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of international/national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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: (i) works and goods estimated to cost the equivalent of \$100,000 or more; and (ii) the first three (3) contracts for goods procured under National Competitive Bidding procedures, 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

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

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

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 estimated to cost less than \$100,000 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 \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for the management of contracts estimated to cost less than US\$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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 Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

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

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

(c) Notwithstanding the provisions of sub-paragraphs (a) and (b) of this Part D.2, the terms of reference for all contracts and the first three (3) contracts for the employment of firms shall be furnished to the Association for its prior review and approval.

3. Post Review

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

**SCHEDULE 4**

**Implementation Program**

A. Main Provisions of the Subsidiary Agreement

The Subsidiary Agreement shall include, but without being limited to, the following provisions:

(a) the Borrower shall make available the proceeds of the Credit to GIPFZA as a grant;

(b) GIPFZA shall perform all of its obligations under the Project Agreement; and

(c) goods and services required for the Project shall be procured in accordance with the Association's procedures as set forth in Schedule 3 to this Agreement.

**B. Overall Project Implementation**

1. The Borrower shall: (a) establish the PCC with membership including the Permanent Secretaries of DOSTIE, DOSFEA, the Chief Executive of GIFFZA and the Chief Executive of GDA; and (b) ensure that the Departments of State and agencies collaborate with GIFFZA and assist GIFFZA in ensuring consistent application of the Borrower's sectoral policies and proper implementation of the Project, in compliance with the provisions of the PIM and the ESMP.

2. The Borrower shall appoint and maintain through out Project implementation, a Project Coordinator, with experience and under terms of reference satisfactory to the Association.

3. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIM and the ESMP; and (b) not amend or waive, or permit to be amended or waived the PIM and the ESMP or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

4. The Borrower shall cause NEA to enter into a MOU with GIFFZA, under terms and conditions that are satisfactory to the Association, setting forth their respective roles in the environmental management of the Project.

5. The Borrower shall participate and cause the PCC to participate in the annual and midterm reviews referred to in paragraph 4 (a) and 5 (a) of the Schedule to the Project Agreement, respectively.

**SCHEDULE 5**

**Performance Indicators**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>

<b>Key performance indicators</b>					
1. Number of licenses	5	5	5	5	5
2. Number of new firms created	3	7	8	7	5
3. Job creations cumulated (direct and indirect)	100	300	1 000	2 500	4 000
4. Average process time to create a new enterprise	6 weeks	5 weeks	4 weeks	4 weeks	4 weeks
5. Average clearance time	2 days	2 days	2 days	1 day	1 day
6. Tonnage and value from Free Zone	Statistics	Statistics	Statistics	Statistics	Statistics

