

CONFORMED COPY

LOAN NUMBER 3493 BAR

(Second Road Maintenance and Rehabilitation Project)

between

BARBADOS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 17, 1992

LOAN NUMBER 3493 BAR

LOAN AGREEMENT

AGREEMENT, dated July 17, 1992, between BARBADOS (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below

(the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, subparagraph (k) is relettered as sub-paragraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Action Plan" means the action plan to be prepared by the Borrower and furnished to the Bank pursuant to Section 3.07 (a) of this Agreement;

(b) "CARICOM" means the Caribbean Common Market created by the General Treaty for the Caribbean Community signed at Chaguaramas, Trinidad and Tobago, on July 4, 1970 by Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago;

(c) "Central Bank" means the Central Bank of Barbados;

(d) "Fiscal Year" means the Borrower's fiscal year commencing on April 1 and ending on the following March 31;

(e) "Investment Program" means the Ministry's road sector investment program for the Fiscal Years 1992/1993 through 1996/1997 furnished to the Bank through the Borrower's letters to the Bank, dated May 7, 1992 and May 18, 1992, as such program may be amended from time to time in agreement between the Borrower and the Bank;

(f) "Legislation" means the Road Traffic Act (as hereinafter defined) and any other legislation in effect on May 5, 1992, including implementing regulations thereto, all related to the road sector, as said legislation and regulations may be amended from time to time subject to the provisions of Section 5.01 of this Agreement;

(g) "Ministry" means the Borrower's Ministry of Public Works, Communications and Transportation;

(h) "Quarries Act" means the Borrower's Quarries Act, Cap. 353 of the Laws of Barbados, providing for the registration, licensing and supervision of quarries, for the safety of workers employed therein, for the fencing thereof and for related matters;

(i) "Road Maintenance Plan" means the Ministry's Road Maintenance Plan for the Fiscal Years 1992/1993 through 1995/1996, furnished to the Bank through the Borrower's letter to the Bank dated May 7, 1992, as such plan may be amended from time to time in agreement between the Borrower and the Bank;

(j) "Road Traffic Act" means the Borrower's Road Traffic Act, Cap. 295 of the Laws of Barbados;

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

(l) "Transport Board" means the Borrower's Transport Board established by the Borrower's Transport Board Act, Cap. 297 of the Laws of Barbados;

(m) "Transport Board Plan" means the Borrower's plan, furnished to the Bank through the Borrower's letter dated May 7, 1992 for reduction of the Transport Board's annual cash deficit to \$2,000,000 equivalent or less, as such plan may be amended from time to time in agreement between the Borrower and the Bank; and

(n) "Transport Levy Act" means the Borrower's Transport Levy Act, Cap. 92 A of the Laws of Barbados, providing for the imposition and collection of a levy on incomes to be used for the improvement of transport and roads.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-one million two hundred thousand dollars (\$21,200,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($\frac{1}{2}$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($\frac{1}{2}$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank

shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through the Ministry, with due diligence and efficiency and in conformity with appropriate engineering, financial, administrative and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation to the provisions of paragraph (a) of this Section, the Borrower shall:

- (i) furnish to the Bank, not later than December 31 of every year during the execution of the Project, commencing in 1992, an update of the Investment Program;
- (ii) provide in its annual budget, and make available promptly as needed, in equivalent, as counterpart funds for the Project, the following minimum amounts:
 - (A) \$500,000 for Fiscal Year 1992/1993;
 - (B) \$3,200,000 for Fiscal Year 1993/1994;
 - (C) \$2,400,000 for Fiscal Year 1994/1995;
 - (D) \$3,400,000 for Fiscal Year 1995/1996; and
 - (E) \$2,400,000 for Fiscal Year 1996/1997; and
- (iii) carry out Part B of the Project in accordance with terms of reference satisfactory to the Bank.

Section 3.02. Without limitation to the provisions of Section 9.07 (a) (iii) of the General Conditions, the Borrower shall furnish to the Bank on a quarterly basis, commencing on September 30, 1992, a report on the progress of the Project, of such scope and detail as the Bank may reasonably request, including, inter alia: (a) a section detailing progress in implementation of each Project component in the previous year; and (b) specific and justified proposals for adjustments in Project implementation based on the results of the previous year.

Section 3.03. Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower shall:

(a) during the first quarter of 1994, hold a review with the Bank, to evaluate, among other matters: (i) the progress in execution, and in the achievement of the objectives, of the Project; and (ii) the progress in execution of the Action Plan and the Road Maintenance Plan; and

(b) without limitation or restriction to any of the Bank's rights under this Agreement, if, as a result of the above review, progress in the execution, or in the achievement of the objectives, of the Project, or progress in the execution of the Action Plan or Road Maintenance Plan, is not satisfactory to the Bank, the Borrower shall promptly take or cause to be taken all such remedial action as the Bank shall request to achieve such objectives or to carry out efficiently the Project, the Action Plan, and the Road Maintenance Plan.

Section 3.04. The Borrower shall:

(a) carry out the Road Maintenance Plan with due diligence and efficiency and in conformity with appropriate financial, technical, administrative, engineering and environmental standards and practices;

(b) provide, or cause to be provided, in a timely manner, the funds, facilities, services and other resources required for the implementation of the Road Maintenance Plan;

(c) submit to the Bank, not later than December 31, 1992 and each year thereafter, an update of the Road Maintenance Plan;

(d) submit to the Bank, not later than June 30, 1993 and each year thereafter, evidence, satisfactory to the Bank, of the expenditures made in respect of the Road Maintenance Plan in the previous Fiscal Year and the amounts allocated for the execution of the Road Maintenance Plan in the then current Fiscal Year; and

(e) without limitation to paragraph (b) above, provide in its annual budget for each Fiscal Year an amount of, at least, \$3,000,000 equivalent for expenditures in respect of road maintenance materials.

Section 3.05. The Borrower shall:

(a) maintain in the Ministry an organizational structure, with functions and adequate staff, all satisfactory to the Bank, for purposes of implementing the Project and the Road Maintenance Plan and complying with the provisions in this Agreement;

(b) promptly inform the Bank of any proposed changes in its organizational structure; and

(c) without limitation to (a) above, maintain a Project coordinator with functions, qualifications and experience acceptable to the Bank.

Section 3.06. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.07. The Borrower shall:

(a) not later than July 31, 1993, submit to the Bank an action plan (Action Plan), satisfactory to the Bank, for the substantial privatization of the operations of the Transport Board, such action plan to be based on the results of the study referred to in Part B.2 (c) of the Project and the Bank's comments thereon; and

(b) implement, in a manner and under a timetable satisfactory to the Bank, the Action Plan.

Section 3.08. The Borrower undertakes to submit to its Parliament, through its Executive Branch:

(a) not later than March 31, 1994, proposed legislation to amend the Transport Levy Act to either permit that the amounts payable as transport levy (as defined in the Transport Levy Act) be utilized for general public expenditures or directly abolish such transport levy; and

(b) not later than June 30, 1993, proposed legislation to amend the Quarries Act to include adequate safeguards for environmental hazards such as soil erosion and contamination of underground water.

Section 3.09. The Borrower shall:

(a) maintain in the Ministry, at all times, a level of staff assigned to road maintenance activities not in excess of eight hundred employees; and

(b) carry out road overlay works in accordance with a program satisfactory to the Bank, such overlay works to cover at least twenty-five kilometers of roads during each Fiscal Year, commencing in Fiscal Year 1992/1993, and to be executed with the Ministry's own staff and resources.

Section 3.10. The Borrower shall implement, in a manner and under a timetable satisfactory to the Bank, the Transport Board Plan.

Section 3.11. Without limitation upon the provisions of Sections 3.01 and 3.04 of this Agreement and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project and the Road Maintenance Plan in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the Ministry.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than five months after the end of each such Year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the Legislation shall have been abrogated, repealed, suspended, waived, amended or altered in any other manner which, in the opinion of the Bank, would adversely and materially affect the implementation of the Project or the compliance with the provisions of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Ministry has employed, under terms of reference

satisfactory to the Bank, an equipment manager and an accountant for its workshop, and an environmental officer for its technical department, all with qualifications and experience satisfactory to the Bank.

Section 6.02. The date of October 15, 1992 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 Director of Finance and Economic Affairs of the Borrower's Ministry of Finance and Economic Affairs is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance and Economic Affairs
Government Headquarters
Bay Street, St. Michael
Barbados

Cable address:

EXTERNALBAR
Barbados

Telex:

3862222

With copies to:

Permanent Secretary
Ministry of Public Works,
Communications and Transportation
Pine East-West Boulevard, St. Michael
Barbados

Cable address:

EXTERNALBAR
Barbados

Telex:

3862222

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

BARBADOS

By /s/ Rudi Webster

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yoshiaki Abe

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works under Parts A.1, A.2, A.4 and A.5 of the Project	3,100,000	55%
(2) Civil works under Part A.3 of the Project	9,900,000	80% until the aggregate amount of disbursements in respect of this Category reaches \$7,400,000; and 50% thereafter
(3) Goods including equipment, spare parts, and bus fare boxes	2,500,000	100% of foreign expenditures; and 90% of local expenditures
(4) Services and goods under the rehabili- tation equipment contract or contracts referred to in Part A.6 (b) of the Project	100,000	60%
(5) Technical assistance including studies	1,100,000	100%
(6) Training	500,000	100% of foreign expenditures; and 50% of local expenditures
(7) Unallocated	4,000,000	
TOTAL	21,200,000	

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; and

(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.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$200,000 and \$150,000, may be made in respect of Categories 3 and 5, respectively, on account of payments made for expenditures before that date but after March 1, 1992; and

(b) expenditures in respect of the overlay works for the roads listed in the second year (Fiscal Year 1994/1995) and subsequent years of the program under Part A.3 of the Project unless the Borrower has received a notice from the Bank informing that the Bank is satisfied with the progress in the execution of the Action Plan.

SCHEDULE 2

Description of the Project

The Project is part of the Investment Program and its objectives are to assist the Borrower in: (a) preserving the capital base of its road infrastructure; (b) improving road maintenance planning and practices; (c) reducing investment costs related to its road network; (d) improving Road safety; and (e) transferring the provision of passenger transport services to the private sector.

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

Part A: Investment Program

1. Rehabilitation and improvement of two sections in Highway 6 consisting of: (a) approximately 6.1 kilometers from Searles to Six Roads; and (b) approximately 0.7 kilometers from Collymore Rock to Villa Road.

2. A program, agreed between the Borrower and the Bank, to improve the Borrower's safety system consisting in the improvement of five road intersections through construction of separate turning lanes and sidewalks, drainage works, removal of existing obstacles affecting sight distance and installation of traffic lights.

3. A program, agreed between the Borrower and the Bank, to raise standards and prevent deterioration of approximately 160 kilometers of selected roads.

4. Rehabilitation of bridges and replacement of culverts, all selected in agreement between the Borrower and the Bank, including construction of new structures, repaving of short stretches and flattening out of the respective roads vertical alignment.

5. A two-year pilot program, agreed between the Borrower and the Bank, for annual routine maintenance of approximately sixty-five kilometers of roads to be contracted out to the private sector.

6. (a) A program, agreed between the Borrower and the Bank, for: (i) rehabilitation of existing road maintenance equipment, including acquisition of spare parts, by the Ministry's workshop; (ii) rehabilitation of existing maintenance equipment, including acquisition of spare parts, under one or more contracts with private contractors; and (iii) acquisition and utilization of approximately 112 units of road maintenance equipment and other equipment to improve the operational efficiency of maintenance activities such as weed control equipment, small dump trucks and asphalt sprayer distributors; and

(b) acquisition and utilization of approximately 150 fare boxes for the Transport Board's bus fleet.

Part B: Institutional Strengthening

1. A technical assistance program designed to improve the Ministry's workshop operations, implement a road maintenance management system and to reduce operational costs of the Transport Board.

2. Carrying out of the following studies: (a) a study to examine rationalization of the road network; (b) a study on the design and introduction of a comprehensive mechanized accounting system in the Ministry; and (c) a study to examine

rationalization measures and privatization alternatives for the passenger transport services provided by the Transport Board.

3. A training program, agreed between the Borrower and the Bank, consisting of: (a) on-site training of Ministry's staff in selected technical areas; (b) off-site training of Ministry's selected personnel including local and overseas courses, and international seminars and conferences; and (c) retraining activities for staff laid-off at the Ministry and the Transport Board.

* * *

The Project is expected to be completed by September 30, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1997	
through November 15, 2006	1,060,000
On May 15, 2007	1,060,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years	0.20

before maturity	
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers and Regional Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods: (a) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (b) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (c) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included, if specified in the bidding documents.

2. For goods included in Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement and manufactured in Barbados and in member countries of CARICOM, the Borrower may grant a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following groups:

(i) Group A: bids offering goods manufactured in Barbados if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Barbados equal to at least 20% of the ex-factory bid price of such goods.

(ii) Group B: all other bids offering goods from within Barbados.

(iii) Group C: bids offering goods manufactured in a country other than Barbados which is a party to CARICOM and entitled to preferential tariffs thereunder.

(iv) Group D: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. The lowest evaluated bid of each

group shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C or group D, all group C and group D bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated price of the imported goods offered in each group C and group D bid, for the purpose of this further comparison only, an amount equal to the smaller of: (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such group C or group D bid; or (ii) 15% of the c.i.f. (cost, insurance, freight) bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid or a group C bid is the lowest in such further comparison, it shall be selected for the award.

(e) If, as a result of the further comparison under paragraph (d) above, a bid from group D is the lowest, all group D bids shall be finally compared with the lowest bid from group C, as determined under paragraph (c) above, after adding to the evaluated bid price of goods to be imported offered in each group D bid, for the purpose of this final comparison only, an amount equal to the smaller of: (i) the difference between the amount of customs duties and other import taxes which would actually be payable for the importation of goods offered in such group D bid and for the importation of goods offered in the group C bid; or (ii) 15% of the c.i.f. (cost, insurance, freight) bid price of goods to be imported offered in such group D bid. If the lowest bid in such comparison is the group C bid, it shall be selected for purposes of award; if not, the lowest bid from group D, as determined under paragraph (c) above, shall be selected for purposes of award.

Part C: Other Procurement Procedures

1. Contracts for civil works estimated to cost the equivalent of \$1,500,000 or less per contract, up to an aggregate amount equivalent to \$4,300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Contracts for goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$400,000, the contract for bus fare boxes, not to exceed the equivalent of \$200,000, and the contract or contracts for equipment rehabilitation under Part A.6 (b) of the Project, not to exceed the equivalent of \$150,000 in the aggregate, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more, each contract for goods procured under the procedures referred to in Part A of this Schedule and the contract or contracts for equipment rehabilitation under Part A.6 (b) of the Project, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

The Borrower shall:

1. Furnish evidence, satisfactory to the Bank, by not later than June 30 in each year of Project execution, on the amount of expenditures incurred by the Borrower in respect of road maintenance in the previous Fiscal Year and the amount of resources allocated in its budget for the then current Fiscal Year.
2. Incorporate, by not later than December 31, 1992, the Ministry's planning unit into the organizational structure of the Ministry's technical department.
3. Furnish to the Bank, not later than December 31 of each year of Project execution: (a) a description of the roads to be overlaid by the Borrower, utilizing exclusively the Ministry's own staff and resources, in the upcoming Fiscal Year; and (b) an economic analysis, satisfactory to the Bank, providing the justification for the respective overlay works.
4. (a) Furnish to the Bank, not later than December 31, 1994, an action plan, satisfactory to the Bank, for private sector participation in routine maintenance activities, such action plan to be based on the results of the pilot program referred to in Part A.5 of the Project; and (b) implement, in a manner and under a timetable satisfactory to the Bank, the action plan in (a) above.
5. (a) Employ, not later than December 31, 1992, the consultants for road maintenance and workshop improvement referred to in Part B.1 of the Project; and (b) have a road maintenance system, satisfactory to the Bank, based on the results of the above technical assistance and the Bank's comments thereon, operational not later than March 31, 1994.
6. (a) Employ, not later than December 31, 1992, consultants to assist in the carrying out of the study referred to under Part B.2 (a) of the Project; (b) furnish to the Bank, not later than December 31, 1993, an action plan, satisfactory to the Bank, based on the results of the above study and the Bank's comments thereon; and (c) implement, in a manner and under a timetable satisfactory to the Bank, the action plan in (b) above.
7. (a) Employ, not later than June 30, 1993, consultants to assist in the carrying out of the study referred to under Part B.2 (b) of the Project; and (b) have operational, not later than December 31, 1994, a mechanized accounting system satisfactory to the Bank.
8. Furnish to the Bank final engineering designs, satisfactory to the Bank, in respect of the overlay works to be carried out under Part A.3 of the Project for each Fiscal Year, commencing in Fiscal Year 1993/1994, not later than each October 31 of the preceding Fiscal Year.
9. In respect of the Road Maintenance Plan, achieve the productivity standards set forth below not later than December 31, 1993:

Activity	Unit	Amount	Crew Man/days	Equip- ment Unit/days
Pothole Patching	Tonne of Asphalt Concrete Placed	5.0	9.0	1.0
Manual Drain Cleaning	Km Cleaned	0.1	8.0	1.0

Guard Rail Repair	Meter Replaced	15.0	10.0	2.0
Manual Weeding	Km Roadside	1.0	12.0	1.0
Culvert Maintenance	Culvert Repaired	1.0	6.2	0.2
Concrete Slipper Repair	Meter Replaced	20.0	7.2	1.2
Resurfacing	Tonne of Asphalt Concrete Placed	300.0	19.0	10.0
Surface Treatment	Square Meter Resealed	1000.0	13.0	4.0

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5) and (6) 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, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,700,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

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

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

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

