

CONFORMED COPY

CREDIT NUMBER 2622 BEN

Development Credit Agreement  
(Rural Water Supply and Sanitation Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 21, 1994

CREDIT NUMBER 2622 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 21, 1994, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter dated May 3, 1994, from the Borrower describing a program of actions, together with a timetable, designed to implement the Borrower's strategy in the rural water and sanitation sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of such Program;

(C) the Borrower intends to contract from the Kingdom of Denmark (hereinafter referred to as Denmark) a grant (the Danish Grant) in an amount equivalent to four million dollars (\$4,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Danish Grant Agreement) to be entered into between the Borrower and Denmark;

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

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

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

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

- (a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (b) "Project Account" means the account referred to in Section 3.02 of this Agreement;
- (c) "CFAF" or "CFA francs" means the currency of the Borrower;
- (d) "Project Implementation Manual" means the manual prepared by the Borrower, adopted by MEMH, and satisfactory to the Association;
- (e) "Beneficiaries Assessment Studies" means the studies carried out during the Project's preparation to ascertain the willingness of the communities to pay for the rehabilitation and improvement of water supply facilities;
- (f) "DH" means Direction de l'Hydraulique, the Directorate of Water Works of the Borrower's Ministry responsible for Energy, Mines and Water;
- (g) "DHA" means Direction de l'Hygiene et de l'Assainissement, the Directorate of Hygiene and Sanitation of the Borrower's Ministry responsible for Health;
- (h) "IAPSO" means the Inter-Agency Procurement Service Office of the UNDP (United Nation Development Programme);
- (i) "MEMH" means Ministere de l'Energie, des Mines et de l'Hydraulique, the Borrower's Ministry responsible for Energy, Mines and Water;
- (j) "MS" means Ministere de la Sante, the Borrower's Ministry responsible for Health;
- (k) "NGO" means Non Governmental Organizations;
- (l) "SME" means small and medium enterprises;
- (m) "SRH" means Service Regional de l'Hydraulique, the Borrower's Water Works Regional Office;
- (n) "VLOM" means Village Level Operation and Maintenance;
- (o) "Village Projects Documents" means the documents, prepared by the communities with the assistance of NGOs and approved by DH, specifying the facilities to be constructed and the management and financing arrangement;
- (p) "WSC" means Comite villageois pour l'eau et l'assainissement, Water and Sanitation Committee; and
- (q) "Project Preparation Advance" means the project pre- preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated October 16, 1992 and November 30, 1992, and May 9, 1994 and May 18, 1994, respectively, between the Borrower and the Association.

## 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 seven million Special Drawing Rights (SDR 7,000,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFA francs a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

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

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 2004 and ending May 15, 2034. Each installment to, and including the installment payable on, May 15, 2014 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

the principal amount of the Credit withdrawn and outstanding from time to time provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

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

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

(a) establish and maintain a Project Account in a commercial bank on terms and conditions satisfactory to the Association to be used exclusively for the purposes of meeting expenditures for the Project, which are not externally financed; and

(b) in addition to the initial deposit referred to in Section 6.01 (b) of this Agreement, deposit into the Project Account, promptly before each fiscal semester starting after the Effective Date, sufficient funds to pay the Borrower's contribution to the financing of the Project required for such fiscal semester, as estimated by the Borrower in consultation with the Association.

Section 3.03. The Borrower shall carry out the Project in accordance with the terms and provisions of a Project Implementation Manual acceptable to the Association.

Section 3.04. The Borrower shall, on the basis of the Beneficiaries Assessment Studies, ensure that communities, schools and health centers, as the case may be, participating under Parts A and C of the Project shall: (a) pay part of the capital cost and all recurrent costs of water and sanitation facilities, as specified in the Project Implementation Manual, on the basis of the respective levels of services provided; (b) own and manage their water and sanitation facilities; and (c) establish their proposed Village Project Documents and financial arrangements in accordance with the Project Implementation Manual.

Section 3.05. The Borrower shall: (a) by March 31, 1996, carry out jointly with the Association a mid-term review of the Project which shall cover inter alia: (i) an evaluation of the Project's management and coordination; (ii) an assessment of the Borrower's timeliness in providing budgetary allocations and counterpart funding; (iii) an evaluation of the WSCs' effectiveness and of the communities' capacity to plan and manage their water supply facilities; (iv) an assessment of the NGOs and local consultants' performance in assisting the communities to plan their water systems and of the contractors' performance in constructing water and sanitation facilities; (v) an evaluation of the sanitation and hygiene education programs' impact; and (vi) an overall assessment of Project implementation;

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

(c) thereafter, carry out such corrective actions as the Borrower and the Association shall determine in accordance with a time schedule satisfactory to the Association.

Section 3.06. The Borrower shall, not later than November 30 of each year, carry out jointly with the Association annual reviews which shall cover, inter alia, an assessment of the Project, work program, and budgets and a review of the Borrower's

public investment program for the water supply and sanitation sector.

Section 3.07. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.08. The Borrower shall transmit to the Association at the end of each fiscal quarter reports on the Project implementation progress in form and substance satisfactory to the Association for the purposes of Section 9.06 of the General Conditions.

Section 3.09. The Borrower shall: (a) by January 1, 1995 cease all of its drilling and wells digging activities on force account; and

(b) by January 1, 1996 divest all of its drilling and well digging equipment and machinery under terms and procedures satisfactory to the Association.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

(ii) have the records and accounts referred to in paragraph (a) of this Section for The Special Account and the Project Account for each semester of the fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors, acceptable to the Association;

(iii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year for the audits referred to in paragraph (b) (i) of this Section and three months after the end of each such semester for the audits referred to in paragraph (b) (ii) of this Section, respectively, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

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

(iv) ensure that such records and accounts are included in the

semestrial audit referred to in paragraph (b) (ii) 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 semester of the fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

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

- (a) a situation has arisen which shall make it improbable that the Borrower's Program, or a significant part thereof, will be carried out;
- (b)
  - (i) subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the Danish Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Danish Grant Agreement; and
  - (ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and
- (c) the Project Implementation Manual, or any provision thereof, shall have been altered, amended or disregarded without the prior consent of the Association.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, that the events specified in paragraphs (a) and (b) of Section 5.01 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 Borrower has opened the Special Account in a commercial bank on terms and conditions satisfactory to the Association;
- (b) the Borrower has opened the Project Account in a commercial bank on terms and conditions satisfactory to the Association and has deposited therein the initial deposit in an amount in CFA francs equivalent to thirty million (CFA 30,000,000);
- (c) the Borrower has submitted a draft agreement satisfactory to the Association for the acquisition of the VLOM handpumps;
- (d) the Borrower has employed independent auditors on the basis of agreements satisfactory to the Association;
- (e) the Borrower has established within DH an accounting and budget system satisfactory to the Association; and
- (f) all conditions precedent to the effectiveness of the Danish Grant Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministere des Finances  
B.P. 302  
Cotonou  
Republic of Benin

Cable address:	Telex:
MINFIN	5009 5289

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC)

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

REPUBLIC OF BENIN

By /s/ Candide Ahouansou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Olivier Lafourcade

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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(1)	Civil works:		
(a)	Civil works for Parts A and D of the Project	2,300,000	68%
(b)	Civil works for Part C of the Project	450,000	68%
(2)	Equipment:		
(a)	Equipment for Part A of the Project	177,000	63%
(b)	Handpumps under Part B of the Project	673,000	68%
(c)	Equipment and vehicles under Part D of the Project	106,000	63%
(3)	Consultants' services	1,197,000	68%
(4)	Training	319,000	68%
(5)	Incremental Operating Costs	283,000	68% until December 31, 1994; 60% from January 1, 1995 to December 31, 1995; 53% from January 1, 1996 to December 31, 1996; 45% thereafter
(6)	Refunding of Project Preparation Advance	829,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	666,000	
	TOTAL	7,000,000	

2. For the purposes of this Schedule, the term "Incremental Operating Costs" means the incremental project related costs incurred for the cost of equipment maintenance, office supplies, vehicle maintenance and operation, travel allowances for Project staff and the compensation for accounting staff recruited for the Project under fixed term contracts.

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 such expenditures for goods, works and services under contracts not exceeding \$20,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower to: (i) maximize the impact and use of safe water supply and sanitation facilities in rural areas; and (ii) implement a rural water and sanitation services policy responsive to the demands of



the rural population.

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: Rural Water Supply

Provision and/or rehabilitation of rural water facilities and systems on the basis of Village Projects Documents.

Part B: VLOM Pumps

Acquisition and delivery of approximately 1,500 pumps intended to cover the needs of rehabilitated and new water facilities over a period of three years.

Part C: Sanitation and Hygiene Education

1. Development and dissemination of marketing and promotion tools designed to increase the demand for improved sanitation services.
2. Design of appropriate training materials and training programs intended for private masons and relating to the construction and marketing of latrines.
3. Construction of latrines, including the provision of water points, in schools and health centers; development and dissemination of training material on hygiene education and latrines' proper management.
4. Integration of messages relating to improved management of sanitation facilities, hygiene, and healthy community environment maintenance into the mobilization and training activities for delivery of improved water supply facilities to the communities.

Part D: Public and Private Sector Capacity Building

1. Provision of training and technical assistance to DH and DHA's staff by specialists in, inter alia, community development, participatory techniques, self evaluation techniques, contract management, promotion of water and sanitation services, accounting, and financial management.
2. Provision of training and technical assistance to NGOs and SMEs by specialists in, inter alia, design and execution of community projects, participatory techniques, and self evaluation techniques.
3. Assistance to DH and DHA's operational and financial evaluation activities.
4. Institutional strengthening of DH and DHA through, inter alia, office rehabilitation and the acquisition of vehicles and equipment.

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The Project is expected to be completed by June 30, 1997.

### SCHEDULE 3

#### 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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into

account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works, estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for civil works, estimated to cost less than the equivalent of \$20,000 per contract, may be procured: (a) up to an aggregate amount not to exceed the equivalent of \$100,000, under direct contracting in accordance with procedures specified in the Project Implementation Manual and acceptable to the Association; and (b) up to an aggregate amount not to exceed the equivalent of \$350,000, under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three contractors, eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Contracts for goods, estimated to cost less than the equivalent of \$150,000 per contract, up to an aggregate amount not to exceed the equivalent of \$450,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

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

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of 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, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1

to the Guidelines.

## Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). Without limitation on the foregoing, the Borrower shall also employ UNICEF under terms and conditions of employment satisfactory to the Association, in order to assist the Borrower in carrying out Part A of the Project. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

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

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 to be withdrawn from the Credit 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 Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence

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

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

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

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

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

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

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

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

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

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

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

