

CONFORMED COPY

CREDIT NUMBER 2030 SO

(Second Agricultural Sector Adjustment Program)

between

SOMALI DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 26, 1989

CREDIT NUMBER 2030 SO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 26, 1989, between SOMALI DEMOCRATIC REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy and in particular its agricultural sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting from the Association, assistance in the financing of urgently needed imports and services required during such execution;

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

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement.

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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 accounts referred to in Section 2.02 (b), (c) and (d) of this Agreement;

(b) "ADC" means the Agricultural Development Corporation established pursuant to Law Number 60 of September 8, 1970;

(c) "ENC" means the Ente Nazionale Commercio established pursuant to Law Number 33 of July 7, 1970;

(d) "MFR" means the Ministry of Finance and Revenue;

(e) "MNP" means the Ministry of National Planning;

(f) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC Rev. 2) published in Commodity Indexes for the Standard International Trade Classification, Revised Statistical Papers, Series M, No. 38/Rev. 2 (1981);

(g) "SOMPET" means the Somali Petroleum Agency, established pursuant to Law No. 29 of March 10, 1973; and

(h) "Sub-project" means any sub-project approved by Social Action Committee to be financed by the Social Action Fund in the context of Schedule 5 (D) of this 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 this Agreement, an amount in various currencies equivalent to fifty-four million two hundred thousand Special Drawing Rights (SDR 54,200,000).

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 Parts A and B of the Project, open and maintain in dollars a special account (the Import Special Account) in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower shall, for the purposes of Part C of the Project, open and maintain in dollars a special account (the Social Action Special Account) in the Central Bank of Somalia on terms and conditions satisfactory to the Association. Deposits into and payments out of, the Special Account shall be in accordance with the provisions of Schedule 7 to this Agreement.

(d) The Borrower shall, for the purposes of Part D of the Project, open and maintain in dollars a special account (the Technical Assistance Special Account) in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 8 to this Agreement.

Section 2.03. The Closing Date shall be January 31, 1992, 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 a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amount shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be

payable semiannually on April 1 and October 1 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 April 1 and October 1 commencing October 1, 1999, and ending April 1, 2029. Each installment to and including the installment payable on April 1, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association.

Section 3.02. Without any limitation or restriction upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall cause the relevant government ministries and agencies referred to in Schedule 2 to this Agreement to provide to the consultants to be employed under the Project the necessary facilities and assistance to enable such consultants to carry out their duties.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower shall establish and maintain in the Central Bank of Somalia, under arrangements satisfactory to the Association, a Project Account in which shall be deposited the local currency proceeds generated from the sale of the proceeds of the Credit. Funds deposited into said Account shall form part of the Borrower's general budget.

Section 3.05. (a) The Borrower shall:

- (i) establish and maintain, under arrangements satisfactory to the Association, a Social Action Fund for the purpose of financing sub-projects to mitigate the social cost of adjustment pursuant to Part C of Schedule 2 to this Agreement. The Borrower shall operate the Social Action Fund in accordance with procedures satisfactory to the Association, and in accordance with the provisions of Schedule 5 to this Agreement.
- (ii) maintain the Social Action Committee within MNP to administer the operation of the Social Action Fund. The head of the Social Action Unit shall be a member of the Social Action Committee. Other members of the Social Action Committee shall be appointed by the Minister of Finance and Revenue.

(b) The Social Action Committee shall be responsible for reviewing Sub-projects recommended by the Social Action Unit and to be financed under the Social Action Fund.

Section 3.06. (a) The Borrower shall, not later than August 31, 1989, establish a Social Action Unit within MNP which shall be responsible to the Social Action Committee.

(b) The Social Action Unit shall formulate and develop policies which will, inter alia: (i) identify and explore ways in which equity issues can be addressed in the context of the macro economic policy reform; (ii) formulate actions which can address the problems of vulnerable groups; and (iii) communicate to the vulnerable groups the available social services and support.

Section 3.07. The Borrower shall:

(a) carry out surveys referred to in Part C.2 of the Project under terms of reference acceptable to the Association;

(b) upon their completion submit to the Association for review the results of said surveys; and

(c) based on results of the surveys, formulate and implement social and economic policies to assist people identified as requiring assistance.

Section 3.08. The Borrower shall:

(a) not later than November 30 of every year submit to the Association for comment its proposals for updating the three-year Public Investment Program; and

(b) thereafter update annually the Public Investment Program taking into account the Association views.

Section 3.09. The Borrower shall: (a) not later than March 30, 1990, submit to the Association for review a plan of action for the future management of food aid; and (b) thereafter implement such plan of action taking into account the Association's views.

Section 3.10. (a) The Borrower shall submit to the Association for review semi-annual reports on the implementation of the Program in respect of the involvement of the private sector in

the following businesses and trades: (i) hides and skins; (ii) frankincense and myrrh; (iii) veterinary services, drugs and equipment; (iv) marine transport; (v) commercial banking; and (vi) insurance.

(b) The first such report shall be submitted to the Association not later than November 15, 1989.

Section 3.11. (a) The Borrower and the Association shall, from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out of the Program, in such detail and at such times as the Association shall reasonably request.

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 accounts referred to in paragraph (a) of this Section, including the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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
- (iii) furnish to the Association such other information concerning the said accounts and the audit thereof and said records 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, separate records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the completion of 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 annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate

opinion by said auditors as to whether the proceeds of the Credit withdrawn in respect of such expenditures were used for the purposes for which they were provided.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has opened the Project Account pursuant to Section 3.04 of this Agreement;

(b) the Social Action Fund referred to in Section 3.05 of this Agreement has been established; and

(c) the Head of the Social Action Unit, with qualifications and experience satisfactory to the Association, has been appointed.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Revenue
Government of the Somali
Democratic Republic
Mogadishu, Somalia

Cable address:

MINFIN
Mogadishu

Telex:

3612 MINFIN
Mogadishu

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

SOMALI DEMOCRATIC REPUBLIC

By /s/ A. A. Addou
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Importation of Goods and Materials by Public & Private Sector Enterprises under Part A of the Project:		
(a) goods and materials under Part A (i) of the Project	34,425,000	100% of foreign expenditures
(b) Diesel fuel and lubricants to be imported by SOMPET under Part A (ii) of the Project	12,800,000	100% of foreign expenditures
(2) Consultants' Services and Training under Part D of the Project	4,100,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Goods, works and services under Part C of the Project	2,100,000	100%
(4) Goods to be imported by Ministries under Part B	775,000	100% of foreign expenditures

of the Project

TOTAL 54,200,000

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

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. Notwithstanding the provisions of paragraph 1 above and except to the extent as the Association shall otherwise agree, no withdrawals shall be made from Category (1) in respect of:

(a) expenditures for goods included in the following SITC groups or subgroups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured

Group	Sub-group	Description of Items
667	-	Pearls, precious and semi-precious stones, unworked or worked
688	-	Uranium depleted in U235 and thorium, and their alloys, unwrought or wrought, and articles therefor, n.e.s.; waste and scrap of uranium depleted in U235 and of thorium
718	718.7	Nuclear reactors, and parts thereof, n.e.s.
897	897.3	Jewelry of gold, silver or platinum group metals and goldsmiths' or silversmiths' wares (including set gems)
-	971.0	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures for: (i) furniture of all kinds; (ii) processed and unprocessed food for human and animal consumption except wheat, wheat flour, sugar, vegetable oil, and rice; (iii) textile items and clothing wares, leather products, shoes, slippers and accessories, excluding raw cotton and threads; (iv) electronic appliances such as audio and video equipment, cameras and film; (v) vehicles below six tons, but excluding buses; (vi) art works; (vii) perfumes, cosmetics, soap and detergents; and (viii) watches and clocks.

(c) expenditures for goods intended for a military or paramilitary purpose or for private or public luxury consumption; and

(d) expenditures for goods supplied under a contract which

any national or international financing institution or agency other than the Association shall have financed or agreed to finance.

5. Notwithstanding the provisions of paragraph 1 above and except to the extent as the Association shall otherwise agree, no withdrawals shall be made from Category (3) in respect of payments for expenditures for any Sub-project unless such Sub-project shall have been prepared in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement and obtained prior approval of the Association.

6. No withdrawal shall be made and no special commitment shall be entered into to pay amounts to the Borrower or others after the aggregate of the proceeds under Category (1) of the Credit withdrawn from the Credit Account and the total amount of such commitments under the same Category shall have reached the equivalent of SDR 25,500,000 unless the Association shall be satisfied, after an exchange of views as described in Section 3.11 of the Credit Agreement: (a) with the progress achieved by the Borrower in the carrying out the Program; and (b) that the actions described in Schedule 4 to this Agreement have been taken and are satisfactory to the Association.

7. If, after the exchange of views described in paragraph 6 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit allocated to Category (1) in the table set forth in paragraph 1 of this Schedule or any part thereof.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) support the macro-economic reforms currently being undertaken by the Borrower; (ii) assist the Borrower to develop and enlarge the participation of the private sector in the economy including an improved supply and distribution of agricultural inputs; and (iii) strengthen institutions responsible for carrying out the economic and policy reforms in the agricultural sector.

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: Imports for the Private and Public Sector Enterprises

Provision of foreign exchange for the: (i) importation of goods and materials; and (ii) importation of diesel fuel and lubricants by SOMPET.

Part B: Imports for the Borrower

Provision of foreign exchange for:

1. The following imports for the Ministry of Agriculture: (i) machinery and equipment; (ii) plant protection supplies and equipment for research, demonstration and extension purposes; (iii) laboratory equipment; and (iv) transportation equipment.
2. The following imports for the Ministry of Livestock, Forestry and Range: (i) machinery and equipment for ruminant research studies; (ii) equipment for poultry production; (iii) milling equipment and spare parts; (iv) office equipment and supplies for the Serum Institute; (v) transportation equipment; and

(vi) teaching equipment and textbooks for the School of Animal Science.

3. Importation for the Ministry of Fisheries, of the following items for research and demonstration purposes: (i) fishing gear; (ii) cold storage units; (iii) mobile ice-making machines; (iv) refrigeration containers; (v) trailers; and (vi) trucks for fish collection and distribution.

Part C: Mitigation of the Social Cost of Adjustment

1. Establishment of institutional arrangements for: (i) the formulation of social action programs to address the problems of groups made vulnerable by the adjustment process; and (ii) to evaluate benefits and costs of action programs.

2. Carrying out surveys designed to monitor living conditions in house-holds made vulnerable by the adjustment process.

3. Establishment of a Social Action Fund to finance action programs to assist vulnerable groups.

Part D: Technical Assistance

Provision of technical assistance:

1. To MNP to assist in: (a) carrying out household budget surveys; (b) preparation and analysis of trade data and national accounts; (c) collection, development and analysis of other statistics; (d) conducting in-service training; (e) design of an agricultural/livestock census; and (f) provision of local and overseas training for staff of the Ministry.
2. To MFR for: (a) maintaining the procurement unit; (b) conducting in-service training for staff of the Ministry; (c) assisting the Ministry with its operations, including carrying out an import verification program; and (d) carrying out a review of tariffs on traded goods.
3. To the Ministry of Agriculture for: (a) preparing an action plan on land tenure policy and administration; and (b) machine rehabilitation.

* * *

The Project is expected to be completed by July 31, 1991.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded through international competitive bidding 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 (hereinafter called the Guidelines), subject to the following modifications:

- (a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a

timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

Part B: Other Procurement Procedures

1. Items to be procured by the Private Sector and Public Sector Enterprises under Part A of the Project estimated to cost the equivalent of less than \$400,000 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.

2. Items to be procured by the ministries under Part B of the Project estimated to cost not more than the equivalent of \$200,000, may be procured under contracts awarded through limited international bidding procedures on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Contracts for goods to be procured by the Private Sector and Public Sector Enterprises under Part A of the Project estimated to cost the equivalent of less than \$200,000 each, shall be awarded on the basis of established commercial practices of the Borrower satisfactory to the Association for the purchase of such goods.

4. Notwithstanding the provisions of Parts B.1 and B.2 above, items under Part A of the Project may be procured under direct contracting methods in accordance with Paragraph 3.5 of the Guidelines in the following circumstances:

- (i) if the importer is the supplier's authorized distributor or dealer; or
- (ii) if the importer is precluded from buying from another supplier; or
- (iii) if the importer is purchasing a brand name commodity from a supplier who is the exclusive distributor of that commodity.

5. Goods and works for Part C of the Project shall be procured in accordance with the provisions of Schedule 5 of this Agreement.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to contracts for the importation of diesel fuel and lubricants under Part A (ii) and for contracts under Part 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 Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) of said Appendix 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 as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

Section II. Employment of Consultants

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.

SCHEDULE 4

Conditions of Second Tranche Release

List of actions to be taken by the Borrower referred to in paragraph 6 of Schedule 1 to this Agreement.

The Borrower shall have:

1. furnished to the Association the three year Public Investment Program for 1990-1992, satisfactory to the Association;
2. furnished to the Association proposals, satisfactory to the Association, for its Public Expenditure Program to be included in the Borrower's 1990 budget;
3. based on a revised tariff schedule for the main imports agreed with the Association, established and implemented an import verification system under terms and conditions satisfactory to the Association;
4. furnished to the Association a plan of action, satisfactory to the Association, for institutional development of ADC and ENC; and
5. furnished to the Association a plan of action, satisfactory to the Association, for improving land tenure policy and administration of irrigated land.

SCHEDULE 5

Implementation Program

Implementation of the Project components will be carried out as follows:

A. Part A of the Project

Except as the Association shall otherwise agree, the Borrower shall, in carrying out Part A of the Project, adopt the following procedures:

1. Foreign Exchange Allocation System

Public and private sector importers (except SOMPET) shall obtain foreign currencies from the Central Bank of Somalia under the following system:

- (i) A Foreign Exchange Committee (FEC) established within the Central Bank of Somalia shall allocate foreign exchange to importers. The FEC shall have the following members: representatives from the Central Bank of Somalia, the Ministry of Finance and Revenue, the Ministry of Commerce, and the Commercial and Savings Bank of Somalia.
- (ii) Not later than the first working day of each month, the FEC shall announce to the public, through radio and newspaper, the amount of foreign exchange available for imports for that month, and shall invite importers to apply for foreign exchange.
- (iii) The FEC shall accept applications for foreign exchange submitted before the fifth working day of the month. Each applicant shall be required to:
 - (a) submit his application in an approved form;
 - (b) deposit in Somali shillings the equivalent of 50% of the amount of foreign exchange applied for, calculated at the official exchange rate on that day; and
 - (c) pay a non-refundable levy in Somali shillings equal to 10% of the amount of foreign exchange applied for, calculated at the official exchange rate on that day.
- (iv) The importers shall specify the general grouping of goods to be imported according to a classification determined by the Ministry of Commerce in consultation with the Association.
- (v) The monthly maximum amount to be applied for by an individual importer shall be the equivalent of \$400,000 and the minimum shall be the equivalent of \$5,000.
- (vi) The FEC shall allocate to every applicant the exact amount applied for if total demand equals to or is less than the available supply of foreign exchange for that month. If, however, the total amount applied for exceeds the supply thereof, all applicants will receive a prorated amount of foreign exchange.
- (vii) Not later than the tenth working day of each month, the FEC shall notify all the applicants of the results of the allocation and all names and amounts allocated thereto shall be announced to the public through the radio and newspapers.

- (viii) Not later than the 15th day of the month, each applicant shall pay to the Central Bank of Somalia in Somali Shilling the 50% balance of the total amount of foreign exchange allocated calculated at the official exchange rate of that day.
- (ix) All applications may thereafter be submitted to the Procurement Unit which will review them to assess eligibility against the following criteria:
 - (a) evidence of the payment of the total deposit and the 10% levy in Somali Shillings;
 - (b) country of origin of the goods to be imported;
 - (c) eligibility of the goods to be imported according to the negative list in Schedule I to this Agreement; and
 - (d) the unit price of the goods to be imported.
- (x) Successful applicants shall be required to open letters of Credit within 60 calendar days of the announcement of the allocation, using the local commercial banking system for that purpose.

2. Importation of diesel fuel and lubricants by SOMPET under Part A (ii) of the Project shall be based on the official exchange rate set by the Central Bank of Somalia at the time the Letter of Credit is opened.

B. Part B of the Project - Imports by the Borrower

All imports by the Ministries of the Borrower under Part B of the Project shall be processed at the official exchange rate prevailing at the time of opening the Letter of Credit.

C. Functions of the Procurement Unit

Notwithstanding the above, all imports under the Project shall be reviewed with the assistances of the Procurement Unit in accordance with the guidelines acceptable to the Association.

D. Part C of the Project

1. Except as the Association shall otherwise agree, proposals for Sub-projects to be financed under the Social Action Fund established pursuant to Section 3.05 of this Agreement shall be submitted to the Association for approval before financing is authorized.

2. Except as the Association shall otherwise agree, the Social Action Fund shall be used to finance the following activities:

(a) the purchase of goods and services required to implement Sub-projects;

(b) consultant services to assist the Social Action Unit;
and

(c) payments to sub-contractors selected to implement Sub-projects.

3. The Borrower shall cause MNP to evaluate the economic and social benefits and costs of the social action program (Sub-projects) selected by the Social Action Unit. MNP shall follow the following criteria in evaluating Sub-projects:

The Sub-projects must:

(a) be directed at the poor;

(b) be simple to implement;

- (c) be completed over a short time span;
 - (d) not be inconsistent with longer-term programs; and
 - (e) not divert resources from current essential activities.
4. The Borrower shall cause MNP to: (a) carry out intensive analysis of household survey data; and (b) supervise the implementation of a permanent household survey.
5. Expenditures for Sub-projects under Part C of the Project shall be based on the official exchange rate set by the Central Bank of Somalia at the time the Letter of Credit is opened.
6. Goods and works for Sub-projects shall be procured on the basis of price quotations from at least three suppliers in accordance with procedures acceptable to the Association.

SCHEDULE 6

The Import Special Account

1. For the purposes of this Schedule:
- (a) the term "eligible Categories" means Categories (1) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term "Authorized Allocation" means an amount equivalent to \$20,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Except as the Association shall otherwise agree, 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) On the basis of such request or requests, by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.
4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to

paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposits into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of the amount of the Authorized Allocation.

(b) 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 any expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 Credit Account.

SCHEDULE 7

The Social Action Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (3) 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 \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of

this Schedule.

2. Except as the Association shall otherwise agree, 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) On the basis of such request or requests, by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposits into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence

furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 Credit Account.

SCHEDULE 8

The Technical Assistance Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (2) 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 Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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) On the basis of such request or requests, by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 Category, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this

Schedule, no further deposits into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Category, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category 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 any expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 the Credit Account.

