

CONFORMED COPY

CREDIT NUMBER 1943 MAU

(Education Sector Restructuring Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 29, 1988

CREDIT NUMBER 1943 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 29, 1988, between ISLAMIC REPUBLIC OF MAURITANIA (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 7, 1988 from the Borrower describing a program of actions, objectives and policies designed to achieve adjustment of the Borrower's education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the African Development Fund (ADF) a loan (the ADF Loan) in an amount of US\$17,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the ADF Loan Agreement) to be entered into between the Borrower and ADF; 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 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) "CEP" means College d'Enseignement Professionnel, an institution of learning for lower-level secondary technical education;

(c) "LEP" means Lycee d'Enseignement Professionnel, an institution of learning for upper-level secondary technical education;

(d) "CFPM" means Centre de Formation Professionnelle Maritime, a center providing post-employment training for the fisheries sector;

(e) "CFPP" means Centre de Formation et de Perfectionnement Professionnel, an establishment providing vocational upgrading training;

(f) "CSET" means Centre Supérieur d'Enseignement Technique, an institution dispensing post-secondary technical education;

(g) "DREF" means Direction Regionale de l'Enseignement Fondamental, a directorate of MEN responsible for primary education;

(h) "ENS" means Ecole Normale Supérieure, an institution of higher education for teachers' training;

(i) "ISS" means Institut Supérieur des Sciences, an institution of higher education for the teaching of science;

(j) "IPN" means Institut Pédagogique National, an agency of the Borrower responsible for developing, printing, procuring and distributing textbooks and pedagogical materials and supplies;

(k) "MEN" means Ministère de l'Éducation Nationale, the Ministry of the Borrower responsible for education;

(l) "MEF" means Ministère de l'Économie et des Finances, the Ministry of the Borrower responsible for economy and finance;

(m) "MPEM" means Ministère des Pêches et de l'Économie Maritime, the Ministry of the Borrower responsible for fisheries and maritime economy;

(n) "PCU" means the Project Coordination Unit established under Credit No. 1214 MAU (Second Education Project);

(o) "TPF" means the Textbooks Publishing Fund, referred to

in Section 3.05 of this Agreement;

(p) "Ouguiya" and "UM" mean the currency of the Borrower;

(q) "Fiscal Year" means the fiscal year of the Borrower;

(r) "ENI" means the Teachers Training College referred to in Part A.6 of the Project;

(s) "DPC" means Direction de la Planification et de la Cooperation, a directorate of MEN responsible for planning and cooperation; and

(t) "Project Preparation Advance" means the advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 5, 1988 and May 10, 1988 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 thirteen million two hundred thousand Special Drawing Rights (SDR 13,200,000).

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 the Project, open and maintain in convertible ouguiyas a 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 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 June 30, 1994 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 amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 1998 and ending June 15, 2028. Each installment to and including the installment payable on June 15, 2008 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. 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 PCU with due diligence and efficiency and in conformity with appropriate administrative, financial and education management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. 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 3.03. The Borrower shall maintain PCU during the execution of the Project with functions, responsibilities and professional and support staff in adequate numbers, all satisfactory to the Association.

Section 3.04. The Borrower shall by October 30 of each year the Project is being implemented: (a) furnish to the Association: (i) the draft three-year rolling investment program for the education sector, and (ii) the draft budget for recurrent expenditures for said sector during the next following fiscal year; said draft budgets shall be acceptable to the Association on the basis of the Program;

(b) review with the Association the progress achieved in carrying out the Project (including the execution of the Program); to this end, the Borrower shall ensure that, no later than June 30 and December 31 of each year, the Project Director submit to the Association for its review and comment a report on the implementation of the Project, in such detail as the Association shall reasonably request; and

(c) promptly take all actions required on its part to implement the recommendations of the review referred to in paragraph (b) above.

Section 3.05. The Borrower shall: (a) open and thereafter maintain a Special Treasury account (the FCES Account) on terms and conditions satisfactory to the Association; (b) replenish the FCES Account on March 30 of each year commencing in 1990 with amounts sufficient to cover the cost of developing and printing school textbooks during that year; and (c) ensure that: (i) the proceeds of all textbook sales shall be deposited in the FCES Account; and (ii) all funds deposited into the FCES Account shall be used only to defray the cost of developing and printing textbook titles selected for primary and secondary schools.

Section 3.06. The Borrower shall: (a) by December 31, 1989 develop an action-program satisfactory to the Association to implement on a pilot basis, double-shift teaching schemes and multi-grade teaching in selected primary schools; (b) carry out the experimental double-shift teaching schemes and multi-grade teaching referred to in paragraph (a) above, during the school year commencing in October, 1990; and (c) review with the Association the results of said experiment no later than September 30, 1991 and implement them in a manner acceptable to the Association.

Section 3.07. The Borrower shall:

(a) by June 30, 1989:

- (i) determine, in agreement with the Association, appropriate measures to ensure that beneficiaries of boarding and restaurant services at ISS shall bear the cost of said services, and implement said measures when said services have become operational;
- (ii) restrict the purpose of ENS to provision of teachers' training; training in subject matters pertaining to management of education resources and facilities, and upgrading training for staff in the education sector;
- (iii) establish a new CEP in Boghe and a new commercial CEP/LEP in Nouakchott, all with curricula and admission conditions acceptable to the Association;
- (iv) submit to the Association proposals satisfactory to the Association on means to associate employers in

the design of curricula and to solicit employers' contributions to the financing of operating costs of technical schools; and

- (v) review with the Association the draft CFPM's curriculum and means for securing the financing of all CFPM's recurrent costs by the Borrower and other private sector contributions and implement them by September 30, 1989;

(b) by September 30, 1989, determine the modalities for transferring school maintenance responsibilities to local communities; develop in agreement with said communities a school maintenance system satisfactory to the Association, and implement said system as from September 30, 1990; and

(c) by September 30, 1990 develop an action-program, satisfactory to the Association, for promoting private investments in the education sector.

#### 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 including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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 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 annual audit referred to in paragraph (b) of

this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the 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 Program, or a significant part thereof, will be carried out.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the ADF Loan 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 ADF Loan Agreement, or

(B) the ADF Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

#### 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 employed an education planner in DPC, and an architect and an accountant in PCU; and

(b) the ADF Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness, except for 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 responsible for economy and 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 de l'Economie et des Finances  
B.O. 238  
Nouakchott  
Islamic Republic of Mauritania

Cable address:

MEF  
Nouakchott

Telex:

540 MTN

##### 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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdallahi Ould Daddah  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman  
Acting Regional Vice President  
Africa

#### SCHEDULE 1

Withdrawal of the Proceeds of the Credit



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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works for Parts A (1), (2), (6) and (7) and for Part D of the Project	3,100,000	100%
(2) Equipment, furni- ture and supplies for Parts A, D (1) and E of the Project	1,700,000	100%
(3) Pedagogical materials for Parts A and D (1) of the Project	720,000	100%
(4) Consultants' services for Parts A, D (1) and E of the Project	3,400,000	100%
(5) Training for Parts A, D (1) and E of the Project	870,000	100%
(6) Operating costs for Parts A, D (2) and E of the Project	2,250,000	80%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(7) Refunding of Project Pre- paration Advance	360,000	Amount due pur- suant to Sec- tion 2.02 (c) of this Agreeemnt
(8) Unallocated	800,000	
TOTAL	13,200,000	

2. For the purposes of this Schedule, the term "operating costs" means expenditures incurred by the Borrower under the Project for items such as salaries for contractual staff, office supplies, fuel, vehicle maintenance, travel and subsistence expenses during travel.

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.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower's efforts to improve the performance of its education sector through: (a) a better apportionment of resources allocated to said sector; (b) improving the quality and relevance of education at all levels; and (c) strengthening the planning and management capabilities of institutions responsible for said 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: Improvement of the Quality of Primary Education and Expansion of Access thereto

1. Development of low-cost school construction modules giving precedent to the use of local materials and community input:

(a) construction of about 250 classrooms using the construction modules referred to in paragraph (1) above; and

(b) rehabilitation of about 50 existing classrooms.

2. (a) Development of textbooks for mathematics and reading (24 titles for primary education) in Arabic and French and printing of a total of about 350,000 copies;

(b) development and printing of about 60,000 teachers' guides for the following subjects: grammar, reading, oral expression, local environment studies, mathematics, and physical education; and

(c) construction and equipping of storage facilities for IPN.

3. In-service training for teachers, inspectors and pedagogical advisors in areas such as the use of textbooks and teachers' guides, multi-grade and double-shift teaching, school maintenance, and management and timetabling.

4. Acquisition and distribution of pedagogical materials, school equipment, furniture, basic supplies and vehicles.

5. Development and execution of a pilot scheme of multi-grade and double-shift teaching.

6. Construction and equipping of a ENI in Aioun to replace the ENI operating now in Rosso.

7. Strengthening DREFs through refurbishing of existing buildings for DREFs of Atar, Akjoujt and Nouadhibou and construction and equipping of ten buildings for the remaining DREFs.

#### Part B: Improvement of Internal and External Efficiency of Secondary and Higher Education

1. Strengthening the teaching of scientific subject-matters in secondary education, inter alia, through: (a) revision of curricula for said subject-matters; (b) development of textbooks (12 titles in Arabic) and printing of a total of about 120,000 copies for teaching of physics, chemistry, mathematics and natural sciences; (c) equipping three selected lycees with three scientific blocks, and acquisition and distribution of a basic scientific equipment kit for all other secondary schools; (d) refurbishing about 100 classrooms needing urgent repairs; and (e) training science teachers in the use of scientific equipment and textbooks provided under the Project.

2. Strengthening the teaching of science in higher education, inter alia, through: (a) transfer of ISS to Rosso; renovation of existing buildings; construction of about 1,700 m2 of additional facilities; acquisition and installation of equipment and supplies for eight laboratories; and acquisition of about 3,000 scientific textbooks; and (b) acquisition of equipment and pedagogical material for ENS.

Part C: Improvement of Technical Education

Strengthening technical education through:

(a) construction and equipping of a school building for a CEP in Boghe;

(b) refurbishing and equipping of the existing school building for the commercial CEP/LEP in Nouakchott;

(c) refurbishing, extension and acquisition of new equipment and furniture for the existing CEP/LEP in Nouakchott and renovation of the existing CEP in Nouadhibou; and

(d) acquisition of equipment for CSET.

Part D: Improvement of Vocational Training

1. Strengthening the capability of CFPP to carry out improved skills upgrading programs through, inter alia: (a) construction of about 600 m2 of teaching space; (b) development of training curricula; (c) training teaching staff in the following fields: air-conditioning/refrigeration; electro-mechanics; data processing; and small/medium business management; and (d) acquisition of furniture, pedagogical equipment and materials, and one vehicle.

2. Strengthening the capability of CFPM to provide adequate pre-employment and upgrading training for artisanal and industrial fishing.

Part E: Improvement of Planning and Management Capabilities in the Education Sector

1. Acquisition of equipment, furniture, and experts' services required to improve the capabilities of the following directorates and units;

(a) in MEN: the directorate of educational planning and cooperation; the directorate of personnel; and the bureau of organization and management;

(b) in MPEM: the directorate of training; and

(c) in MEF, the Project Coordination Unit and the Unit of human resources in the directorate of planning.

2. Preparation of a follow-up education project.

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The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent

with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods, works and services shall be grouped in bid packages estimated to cost the equivalent of \$150,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Mauritania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. All civil works and furniture which cannot be grouped in packages of at least \$150,000 equivalent may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided that: (a) the aggregate cost of such contracts financed out of the proceeds of the Credit shall not exceed the equivalent of \$5,900,000; and (b) (i) all bids shall be opened in public and bidders' representatives shall be allowed to be present; (ii) criteria for evaluating bids shall be set out clearly and communicated to all bidders; (iii) no preference margin shall be granted to domestic manufacturers or suppliers; and (iv) foreign companies shall not be required to be incorporated in Mauritania in order to participate in the bidding.

2. Works, goods and services estimated to cost less than \$15,000 equivalent per contract may be procured under contracts awarded on the basis of price quotations invited from at least three reputable suppliers in accordance with procedures acceptable to the Association, provided that the aggregate cost of such contracts shall not exceed the equivalent of \$4,000,000.

Part E: 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 estimated to cost the equivalent of \$150,000 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 4 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.

2. The figure of 5% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in 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

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods 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 of SDR 900,000 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 may be made as follows:

(a) On the basis of a 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 deposit 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 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
- (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 any 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 Association such outstanding amount for crediting to the Credit Account.

