

CONFORMED COPY

CREDIT NUMBER 2074 GUB

Development Credit Agreement

(Infrastructure Rehabilitation Project)

between

THE REPUBLIC OF GUINEA-BISSAU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 8, 1990

CREDIT NUMBER 2074 GUB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 8, 1990, between the  
REPUBLIC OF GUINEA-BISSAU (the Borrower) and the  
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 from the Borrower  
a letter of even date herewith describing the policies  
and measures that the Borrower intends to implement to  
rehabilitate its transport sector (such policies and  
measures hereinafter referred to as the Transport  
Policy);

(C) the Borrower intends to contract from the  
United Nations Capital Development Fund (UNCDF) a grant  
(the UNCDF Grant) in an amount equivalent to two million  
two hundred thousand dollars (\$2,200,000) to assist in  
financing Part C.2 (a) and (b) of the Project on the  
terms and conditions set forth in an agreement (the UNCDF  
Agreement) to be entered into between the Borrower and  
UNCDF;

(D) the Borrower intends to contract from the  
United Nations Development Programme (UNDP) a grant (the  
UNDP Grant) in an amount equivalent to one million one

hundred thousand dollars (\$1,100,000) to assist in financing Part C.2 (a), (b) and (c) of the Project on the terms and conditions set forth in an agreement (the UNDP Agreement) to be entered into between the Borrower and UNDP;

(E) the Borrower intends to contract from the Fonds d'Aide et de Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to four hundred thousand dollars (\$400,000) to assist in financing Parts D.1 and D.5 (b) of the Project on the terms and conditions set forth in an agreement (the FAC Agreement) to be entered into between the Borrower and FAC;

(F) the Borrower intends to contract from other sources (the Other Cofinanciers) other financial contributions to assist in financing the Project on the terms and conditions set forth in agreements (the Other Cofinancing Agreements) to be entered into between the Borrower and the Other Cofinanciers; 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, wherever used in this Agreement, 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) "MES" means Ministerio do Equipamento Social, the Ministry of Social Infrastructure of the Borrower;

(b) "SET" means Secretaria de Estado dos Transportes, the State Secretariat of Transport in MES;

(c) "DGEP" means Direcçao Geral de Estradas e Pontes, the General Directorate of Roads and Bridges in MES;

(d) "DGRU" means Direcçao Geral de Habitacão e Urbanismo, the General Directorate of Housing and Urban Affairs in MES;

(e) "GEP" means Gabinete de Estudos e Planeamento, the Office of Studies and Planning in MES;

(f) "LEGUI" means Laboratorio de Engenharia da Guine-Bissau, the engineering laboratory in MES;

(g) "PCU" means the Project Coordinating Unit (Unidade de Coordenacão do Projecto) established in MES by Ordem de Serviço No. 57/89, dated April 24, 1989, of the Borrower and referred to in Section 3.02 (a) of, and Part A of Schedule 5 to, this Agreement for the purpose of coordinating the implementation of the Project;

(h) "TCU" means the Transport Coordination Unit (Unidade de Coordenacao dos Transportes) established in SET by Despacho No. 115/GM/89, dated October 5, 1989, of the Borrower and referred to in Section 3.02 (b) of, and Part B of Schedule 5 to, this Agreement for the purpose of providing technical assistance under Parts A.2 and B of the Project;

(i) "HRPM" means the Human Resource Planning and Management Section (Seccao de Planeamento e Gestao dos Recursos Humanos) established by Despacho No. 115/GM/89, dated October 5, 1989, of the Borrower and referred to in Section 3.02 (c) of, and Parts A.2 (b) (ii) and C of Schedule 5 to, this Agreement for the purpose of providing technical assistance in the implementation of the five year manpower development and training program described under Part A.4 of the Project;

(j) "TO" means the Technical Office (Gabinete Tecnico) established in HES by Despacho No. 1/88, dated November 28, 1988, of the Borrower and referred to in Section 3.02 (d) of, and Part D of Schedule 5 to, this Agreement for the purpose of assisting the Borrower in carrying out Parts C (with the exception of C.2) and D (with the exception of D.1 and D.5 (b)) of the Project;

(k) "Municipality of Bissau" means the Camara Municipal de Bissau;

(l) "GUINEMAR" means Empresa Nacional de Agencias e Transportes Maritimos, the national shipping agency owned and controlled by the Borrower and established by Decreto No. 35/76, dated November 13, 1976;

(m) "JAPG" means Junta Autonoma dos Portos da Guine, the port authority owned and controlled by the Borrower and established by Decreto No. 18/83 published in the Borrower's Boletim Oficial dated July 4, 1983;

(n) "RODOFLUVIAL" means Empresa Publica de Transportes Rodoviaros e Fluviasis, the public trucking and river transport company owned and controlled by the Borrower established by Decreto No. 36B/84 published in the Borrower's Boletim Oficial dated December 28, 1984;

(o) "SILO DIATA" means Empresa Nacional de Transportes Automoveis, the public bus company owned and controlled by the Borrower established by Decreto No. 5/76 published in the Borrower's Boletim Oficial dated February 14, 1976;

(p) "TAGB" means Transportes Aereos da Guine-Bissau, the national airline owned and controlled by the Borrower established by Decreto No. 7/86 published in the Borrower's Boletim Oficial dated March 23, 1986;

(q) "TCs" means, collectively, GUINEMAR, JAPG, RODOFLUVIAL, SILO DIATA, and TAGB;

(r) "ASTRA" means Associacao de Transportadores Privados, a private association of transporters registered under the laws of the Borrower;

(s) "Municipality of Bissau Agreement" means the agreement dated July 5, 1989 between the Borrower, acting through HES, and the Municipality of Bissau;

(t) "Participation Agreement" means any of the agreements to be entered into between the Borrower and the TCs pursuant to Section 3.03 (b) of this Agreement for the purposes of Parts A.2 and B of the Project;

(u) "Cofinanciers" means, collectively, UNCDF, UNDP, FAC, and the Other Cofinanciers as defined in the Preamble to this Agreement; and "Cofinancing Agreements" means, collectively, the UNCDF Agreement, the UNDP Agreement, the FAC Agreement, and the Other Cofinancing Agreements, as defined in the Preamble to this Agreement;

(v) "Road Fund" means Fundo Rodoviario, the fund controlled by MES and established by Decreto No. 19/84 published in the Borrower's Boletim Oficial, dated June 23, 1984, for road maintenance and construction operations;

(w) "Infrastructure Sectors" means the roads, transport, housing and urban services sectors in the territory of the Borrower;

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

(y) "Project Preparation Advance" means the advance granted by the Association to the Borrower pursuant to exchanges of letters dated October 20, 1987, November 24, 1987, November 21, 1988 and March 22, 1989; and

(z) "Fiscal Year" means the fiscal year of the Borrower, the Municipality of Bissau and the TCs which runs concurrently with the calendar year; and "Pesos" means the currency of the Borrower.

## 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 eighteen million five hundred thousand Special Drawing Rights (SDR 18,500,000).

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 dollars 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 December 31, 1995, 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.

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 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 June 15, 2000 and ending December 15, 2029. Each installment to and including the installment payable on December 15, 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 abovementioned 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 MES with due diligence and efficiency and in conformity with appropriate administrative, engineering, financial and managerial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Borrower shall maintain in MES a project coordination unit (the PCU) for the purpose of coordinating the implementation of the Project as set forth in Part A of Schedule 5 to this Agreement.

(b) Without limitation upon its obligations under Subsection (a) of this Section, the Borrower shall maintain in SET a transport coordination unit (the TCU) for the purposes of Parts A.2 and B of the Project as set forth in Part B of Schedule 5 to this Agreement.

(c) Without limitation upon its obligations under Subsection (a) of this Section, the Borrower shall maintain in GEP a human resource planning and management section (the HRPM) for the purposes of Part A.4 of the Project as set forth in Parts A.2 (b)(ii) and C of Schedule 5 to this Agreement.

(d) Without limitation upon its obligations under Subsection (a) of this Section, the Borrower shall maintain in HES a technical office (the TO) for the purposes of Parts C and D of the Project as set forth in Part D of Schedule 5 to this Agreement.

Section 3.03. (a) For the purposes of Part D of the Project, the Borrower shall cause the Municipality of Bissau to furnish to the Association, not later than June 30, 1991, an action plan satisfactory to the Association to be prepared under Part D.5 (b) of the Project.

(b) For the purpose of Parts A.2 and B of the Project, the Borrower, through MES, shall enter in an agreement (Participation Agreement) with each of the TCs providing, inter alia, for the following:

- (i) the terms and conditions, including the terms of reference, of the technical assistance to be provided to such TC under Part B of the Project;
- (ii) the implementation of the financial and operational targets and performance plans to be prepared under Part B.1 (a) of the Project;
- (iii) the adoption of the upgraded cost accounting and financial management systems to be developed under Part B.1 (b) of the Project and of accounting procedures, including the auditing of accounts, in accordance with Article IV of this Agreement;
- (iv) the privatization, restructuring, liquidation or other reorganization acceptable to the Association, referred to under Part B.1 (d) of the Project, including, subject to Sub-section (v) (A)

hereto, the implementation, by January 1, 1992, of the changes in ownership or management required as part of the action plans referred to in Section 3.07 of this Agreement;

(v) in the case of GUINEMAR:

(A) its restructuring, including, if necessary, private participation, in a manner satisfactory to the Borrower and the Association, by June 30, 1991; and

(B) (1) the payment, by June 30, 1990, of all debt owed to JAPG by GUINEMAR as of March 1, 1990, and (2) the repayment of all future bills owed to JAPG by GUINEMAR within four months of the date of billing;

(vi) the payment to MES by each of the TCs for any goods provided to such TC by MES out of the proceeds of the Credit under terms and conditions satisfactory to the Association; and

(vii) insurance and maintenance and repair of plants, machinery, equipment and other property of the TCs.

(c) the Borrower shall exercise its rights under the Municipality of Bissau Agreement and each Participation Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any such agreement or provision thereof.

Section 3.04. The Borrower shall carry out the manpower development and training program described under Part A.4 of the Project and select participants therefor in accordance with terms, procedures and criteria satisfactory to the Association.

Section 3.05. The Borrower shall:

(a) not later than December 31, 1990, carry out and complete, under terms of reference satisfactory to the Association, the survey described under Part D.4 of the Project and furnish to the Association a report in such detail and of such scope as the Association shall reasonably request on the results and recommendations of the said survey together with an action plan satisfactory to the Association to carry out such recommendations; and

(b) carry out the recommendations satisfactory to the Association of the said survey according to a timetable, under guidelines and in a manner acceptable to the Association.

Section 3.06. The Borrower shall, promptly upon completion of the works described under Part D.3 of the Project, allocate the plots and houses referred to therein under terms and conditions and following criteria and procedures satisfactory to the Association.

Section 3.07. The Borrower shall, not later than March 31, 1991, furnish to the Association an action plan, satisfactory to the Association, for involving private sector participation for each of the TCs.

Section 3.08. 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.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall: (i) 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; and (ii) cause the TCs and the Municipality of Bissau to maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations and financial condition.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section, including those for the Special Account, and the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) of the TCs and the Municipality of Bissau for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish, and cause each of the TCs and the Municipality of Bissau to furnish, to the Association, as soon as available, but in any case not later than six months after the end of each such Fiscal Year:
  - (A) in respect of the audit of the records and accounts referred to in paragraph (a) (i) of this Section, including those for the Special Account, 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, including a report on each department or agency's compliance with the recommendations of the management letter for the previous Fiscal Year, and a copy of the management letter for the current Fiscal Year; and
  - (B) in respect of the audit of the records, accounts and financial statements of the TCs and the Municipality of Bissau, certified copies of the records, accounts and financial statements so audited and the report of such audit by the said auditors of such scope and in such detail as the Association shall have reasonably requested, including a report on each institution's compliance with the recommendations of the management letter for the previous Fiscal Year and a copy of the management letter for the current Fiscal Year;



- (iii) furnish, and cause each of the TCs and the Municipality of Bissau to 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; and
- (iv) for the purposes of paragraph (b) (ii) of this Section, the term "management letter" in respect of each institution referred to in the said paragraph, means a letter from independent auditors acceptable to the Association addressed to such institution and communication the observations and suggestions of such auditors regarding possible improvements by such institution of, inter alia, its accounting and financial practices, its internal financial management and control and its operating procedures.

(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 Subsection (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain or cause to be retained, 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 Subsection (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.

Section 4.02. The Borrower shall:

(a) carry out the investment program agreed upon with the Association for the Borrower's Infrastructure Sectors for the Fiscal Years 1990, 1991 and 1992;

(b) not later than September 30, 1990 and thereafter not later than September 30 in each succeeding year until the completion of the Project, furnish to the Association for its review and comments: (i) a proposed investment program for its Infrastructure Sectors in respect of the ensuing three Fiscal Years; (ii) the proposed budget for such investment program for the

ensuing Fiscal Year; and (iii) a review in such detail and of such scope as the Association shall have reasonably requested, of the expenditures and revenues in such sectors in the previous Fiscal Year; and

(c) give priority in its Infrastructure Sectors budget to rehabilitation and maintenance over construction and upgrading of capital assets.

Section 4.03. (a) The Borrower shall neither make nor commit itself to make any capital expenditure in its Infrastructure Sectors not required under the Project:

- (i) unless a reasonable forecast shows that the estimated economic rate of return for such capital expenditure shall exceed 12%; and
- (ii) if such capital expenditure exceed the equivalent of \$1,000,000, without the prior agreement of the Association.

(b) For the purposes of this Section, the following terms have the following meanings:

- (i) "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction;
- (ii) "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve months prior to the capital expenditure in question, which both the Association and the Borrower accept as reasonable and as to which the Association has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the economic rate of return of the proposed capital expenditure; and
- (iii) "economic rate of return" shall be determined using a methodology acceptable to the Association.

Section 4.04. The Borrower shall implement the measures agreed upon with the Association to improve the collection by MES of road user charges and the timeliness of deposit of the appropriate percentage thereof into the Road Fund and to enable the Road Fund to increase its revenues so as to cover the following percentages of programmed road maintenance operations: (i) 20% in Fiscal Year 1990; (ii) 30% in Fiscal Years 1991 and 1992; (iii) 40% in Fiscal Years 1993 and 1994; and (iv) 50% in Fiscal Year 1995 and thereafter.

Section 4.05. The Borrower shall assume all debt owed by SILO DIATA in any currency other than Pesos.

#### 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) The legal instruments establishing the PCU, the TCU, the TO, the HRP, LEGUI, the Municipality of Bissau,

any of the TCs or the Road Fund shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement, the ability of the Municipality of Bissau to perform any of its obligations under the First Municipality of Bissau Agreement or the Second Municipality of Bissau Agreement or the ability of any of the TCs to perform any of their obligations under the Participation Agreements.

(b) The implementation of the Transport Policy shall have been suspended, terminated or materially revised.

(c) An extraordinary situation shall have arisen which shall make it improbable that the Transport Policy, or a significant portion thereof shall be carried out.

(d) (i) Subject to paragraph (ii) of this subsection:

- (A) The right of the Borrower to withdraw the proceeds of any grant or 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 agreement providing therefor, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this subsection 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) either of the events specified in Subsections (a) and (b) of Section 5.01 of this Agreement shall occur; and

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

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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:



Washington, D.C.

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.

REPUBLIC OF GUINEA-BISSAU

By /s/ Alfredo Lopes Cabral  
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) Civil and Building Works except under Part D.3 of the Project	3,200,000	100% of foreign expenditures and 50% of local expenditures
(2) Design and supervision of all works under the Project	1,550,000	100%
(3) Sites and demonstration houses: works, equipment and materials under Part D.3 of the Project	1,000,000	100% of foreign expenditures and 95% of local expenditures
(4) Equipment and materials except under Part C.5 of the Project	1,450,000	100% of foreign expenditures
(5) Technical assistance (including studies and audits)	3,350,000	100%
(6) Local and external training courses	650,000	100%

(7)	Maintenance operations of DGEP, excluding salaries and wages, under Part C.5 of the Project	4,300,000	100% of foreign expenditures and 50% of local expenditures until January 1, 1991; thereafter, 100% of foreign expenditures and 25% of local expenditures until December 31, 1992; thereafter, 100% of foreign expenditures.
(8)	Refunding of Project Preparation Advance	1,200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9)	Unallocated	1,800,000	
	TOTAL	18,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for works, goods or services supplied from the territory of the Borrower.

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

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments made under Category (3) unless and until the Borrower and the Association have agreed upon the criteria to be used to allocate the plots and houses referred to in Part D. 3 of the Project and upon the terms and conditions of such allocation.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to, as part of the implementation of the Transport Policy: (a) strengthen the management, planning and coordination capabilities of the institutions of the Borrower responsible for its Infrastructure Sectors; (b) improve the equilibrium between road and river transport in the territory of the Borrower; (c) remove bottlenecks to increased agricultural production through the improvement of feeder roads in the territory of the Borrower; (d) improve municipal services in the Borrower's urban centers; and (e) provide trained personnel for the Borrower's agencies and municipalities and for the private sector in the territory of the Borrower to operate, maintain and manage urban and transport infrastructure and services through undertaking a comprehensive manpower development and training program.

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: Institutional Development of MES,

1. Strengthening the management capabilities of MES in the coordination and budgeting of projects in the Infrastructure Sectors through:

(a) technical assistance to HES and on-the-job training to staff of MES;

(b) acquisition of materials and equipment; and

(c) remodeling of existing, and construction of new, houses for use of consultants appointed by MES under the Project, and remodeling of offices for use by MES.

2. SET: strengthening the management capabilities of MES in transport planning and the monitoring of TCs including:

(a) development and maintenance of a data bank related to transportation in SET;

(b) carrying out of studies on user charges and tariffs charged by the TCs;

(c) rehabilitation, including remodeling, of a maritime workshop for use by SET;

(d) acquisition of materials and equipment for said maritime workshop and of two launches; and

(e) on-the-job training of staff of SET through the carrying out of the above activities.

3. LEGUI: strengthening the research capabilities of MES through:

(a) carrying out of a study by LEGUI to evaluate the feasibility of low-cost upgrading of laterite gravel roads;

(b) carrying out of an inventory by LEGUI of naturally occurring materials in the territory of the Borrower suitable for use in the construction and maintenance of roads and buildings;

(c) acquisition and utilization of equipment, materials and supplies for testing of soils for use by LEGUI;

(d) remodeling of a laboratory building for use by LEGUI; and

(e) on-the-job training of staff of LEGUI through the carrying out of the above activities.

4. (a) Carrying out a five year manpower development and training program for the Borrower's agencies and municipalities and for the private sector in the territory of the Borrower;

(b) acquisition and utilization of vehicles, office supplies and equipment for the purposes of such program; and

(c) reconstruction, remodeling and rehabilitation of training facilities to be used for the purposes of such program.

Part B: Assistance to the TCs and to the Associacao de Transportadores Privados (ASTRA).

1. Assistance to each of the TCs, through SET, in:

(a) preparation of financial and operational targets and performance plans;

(b) upgrading of cost accounting and financial management systems and of accounts and annual audits thereof;

(c) strengthening their fleet maintenance management, including, where appropriate, preparation and negotiation of management contracts with specialized entities acceptable to the Association; and

(d) the process of privatization, restructuring, liquidation, or other reorganization, as applicable.

In addition, the following assistance will be provided through SET:

2. To JAPG. Assistance in the operation and maintenance of its workshops;

3. To RODOFLUVIAL. (a) assistance in the operation and maintenance of its workshops; and

(b) acquisition of one barge, about 10 trucks and spare parts.

4. To SILO DIATA. (a) assistance in the operation and maintenance of its workshops; and

(b) acquisition of spare parts.

5. To TACB. Assistance in the operation and maintenance of its workshops.

6. To ASTRA. Assistance through provision of advice to its members on ways and means to improve their effectiveness and efficiency in the transport sector.

Part C: Transport Infrastructure Program.

1. Works on Main Roads. (a) rehabilitation and resealing of about 180 kilometers of paved roads;

(b) rehabilitation of about 3 kilometers of urban streets in the City of Bissau and paving of about 5 kilometers of streets in other urban centers; and

(c) rehabilitation and graveling of about 175 kilometers of laterite and earth roads, including about 16 kilometers of low-cost asphalt paving.

2. Pilot Feeder Road Program. (a) Improvement of about 130 kilometers of feeder roads;

(b) spot improvements to selected tracks, trails, and footpaths linked to the feeder roads improved under the Project;

(c) carrying out of a study on non-motorized transport in rural areas; and

(d) on-the-job training in labor-intensive methods of road improvement and maintenance through the carrying out of the above activities staff of DGEP and, through such staff, of local contractors and communities;



3. Works on Ferry Crossings. Rehabilitation of about 7 ferry ramps and replacement of 1 ferry.

4. Supplies. Acquisition of equipment, vehicles, petroleum products, spare parts and materials for the maintenance of roads, ferry crossings and aerodromes.

5. Maintenance and minor repair of the roads, aerodromes and ferry crossings in the territory of the Borrower.

6. On-the-job training of staff of DCEP, domestic contractors and communities, through the carrying out of the activities described under the preceding paragraph.

Part D: Urban Program.

1. Solid Waste Collection. Acquisition for use by the Municipality of Bissau of equipment and vehicles for the collection of solid waste in the city of Bissau and its suburbs.

2. Acquisition for use by the Municipality of Bissau of office equipment and supplies.

3. Sites and Services. (a) development and servicing of about 470 plots in the City of Bissau and of about 250 plots in provincial and regional centers in the territory of the Borrower for low-cost housing; and

(b) construction of about 40 cost-effective demonstration houses.

4. Resettlement. Carrying out a survey to: (a) ascertain the number of persons currently living on the sites to be developed under Paragraph 3 hereto; and

(b) evaluate whether any of the occupants of the said sites should be resettled.

5. Technical Assistance.

(a) To DGHU: strengthening its capabilities in urban planning and in the provision of advisory services aimed at improving technical and financial management in the municipalities of the Borrower including, inter alia: (i) carrying out of relevant studies; (ii) acquisition of materials and equipment; and (iii) on-the-job training to staff of DGHU through the carrying out of the above activities.

(b) To the Municipality of Bissau: developing and implementing an action plan to improve its financial resources by:

(i) updating its existing property taxes and land lease tariffs;

(ii) reorganizing its tax administration and its accounting systems and annual audits thereof;

(iii) improving its management and staffing procedures; and

(iv) on-the-job training, through the carrying out of the above activities, of staff of the Municipality of Bissau.

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The Project is expected to be completed by June 30, 1995.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

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

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Guinea-Bissau 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: 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 D: Other Procurement Procedures

###### 1. Local Competitive Bidding.

Works in respect of construction and remodelling of houses and offices up to an aggregate amount not exceeding the equivalent of \$400,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Works under Part C.5 of the Project estimated to cost less than the equivalent of \$200,000 each, up to an aggregate not exceeding the equivalent of \$800,000 may be procured under contracts awarded on the basis of competitive bidding among small qualified local contractors in accordance with procedures satisfactory to the Association.

###### 3. Shopping

Contracts for the supply of goods and materials estimated to cost less than the equivalent of \$200,000, up to an aggregate amount not to exceed the equivalent of \$3,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers in accordance with procedures acceptable to the Association.

###### 4. Direct Contracting

Equipment and spare parts of a proprietary nature obtainable from one source may, with the prior agreement of the Association in each case, be procured by direct

contracting from such source in accordance with procedures satisfactory to the Association.

5. Fuel and lubricants for road maintenance operations may be procured in accordance with the Borrower's standard practices acceptable to the Association.

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 \$100,000 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 I 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.

2. The figure of 10% 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 to 7 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 two million dollars (\$2,000,000) 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 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 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; and (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.

#### SCHEDULE 5

##### Implementation

Part A. The Project Coordination Unit (PCU).

The PCU shall be responsible for overall implementation and coordination of the Project and shall carry out Part A (with the exception of provision of technical assistance under Part A.2) and Part B.4 (b) of the Project as hereinafter provided.

##### 1. Composition:

The PCU, established in MES, shall be composed of a coordinator (the Project Coordinator) who shall be a civil engineer, an accountant (the Project Accountant), a training advisor (the Project Training Advisor) and local technical and support staff in numbers and having functions satisfactory to the Association.

## 2. Responsibilities:

The PCU shall have the following responsibilities:

(a) In respect of the overall implementation of the Project:

- (i) manage the Special Account;
- (ii) monitor procedures for the procurement of goods, services and works, and for disbursements of the proceeds of the Credit;
- (iii) coordinate and monitor the performance of consultants engaged under the Project;
- (iv) collect the progress reports prepared by TCU for Parts A.2 and B of the Project and by TO for Part C of the Project and consolidate them with those it prepares, and prepare and furnish to MES, the Cofinanciers and the Association as soon as available, but in any case not later than one month after the end of each quarter, a consolidated Project progress report in such detail and of such scope as the Association shall have reasonably requested in respect of such quarter, including the report on the performance of each of TCs with respect to the operational and financial targets prepared by TCU under Part B.1 of the Project;

(b) In respect of Parts A (with the exception of provision of technical assistance under Part A.2), B.3 (b) and B.4 (b) of the Project:

- (i) provide technical assistance to MES and on-the-job training to staff thereof under Part A.1 of the Project;
- (ii) through the Project Training Advisor, organize HRP in GEP as provided for in Part C of this Schedule and, through HRP, carry out the program described under Part A.4 of the Project;
- (iii) prepare bidding documents and supervise the performance of ensuing contracts in respect of works, goods and services; and
- (iv) prepare quarterly progress reports for consolidation as provided for under paragraph (a) (iv) above.

(c) assist MES in the preparation of the annual and three-year investment plans, and annual budgets and expenditure reviews to be furnished to the Association pursuant to Section 4.02 of this Agreement.

Part B. The Transport Coordination Unit (TCU)

TCU shall provide the technical assistance described under Parts A.2 and B of the Project as hereinafter provided.

### 1. Composition

TCU, established in SET shall be composed of a coordinator, administrative and financial management specialists, engineers, workshop mechanics and local technical and support staff in the numbers agreed upon with the Association.

## 2. Responsibilities

TCU shall:

(a) provide the technical assistance described under Parts A.2 and B of the Project to SET and, through SET, to TCs;

(b) assist ASTRA through provision of advice to its members on ways and means to improve their effectiveness and efficiency in the transport sector; and

(c) prepare quarterly progress reports in respect of Parts A.2 and B of the Project for submission to MES, SET and PCU.

## Part C. The Human Resource Planning and Management Section (HRPM)

### 1. Composition

HRPM established in GEP shall be headed by the Project Training Advisor and composed of a human resource development and training specialist, an assistant, a secretary and other local technical and support staff in the numbers agreed upon with the Association

### 2. Responsibilities

HRPM, under the direction of the Project Training Advisor, shall carry out the program described under Part A.4 of the Project and assist the Borrower to develop its capacity to plan for and coordinate the long term manpower needs of its Infrastructure Sectors.

## Part D. The Technical Office (TO)

MES shall, with the assistance of TO as hereinafter provided, carry out Parts C (with the exception of Part C.2) of the Project through DGEP and Part D (with the exception of Part D. 1 and Part D.5 (b)) of the Project through DGHU.

1. Composition. TO, established in MES, shall be composed of a highway engineer, short term workshop specialists, 2 road technicians and local technical and support staff in the numbers agreed upon with the Association.

2. Responsibilities. TO shall: (a) in respect of Part C (with the exception of Part C.2) of the Project:

(i) prepare bidding documents and supervise the performance of ensuing contracts; and

(ii) prepare quarterly progress reports for submission to PCU.

(b) in respect of Part D (with the exception of D. 1 and D.5(b)) of the Project:

(i) prepare bidding documents and supervise the performance of ensuing contracts;

- (ii) prepare quarterly progress reports for submission to PCU;
  - (iii) monitor the allocation of plots and houses and the cost recovery related thereto.
  - (iv) carry out the survey described under Part D.4 of the Project;
  - (v) coordinate with central and local government agencies, including the Municipality of Bissau; and
  - (vi) provide the technical assistance described under Part D.5 (a) of the Project.
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