

CONFORMED COPY

CREDIT NUMBER 2126 CA

Development Credit Agreement

(Transport Sector Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 21, 1990

CREDIT NUMBER 2126 CA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 21, 1990, between CENTRAL AFRICAN REPUBLIC (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 March 28, 1990 from the Borrower describing a program of actions, objectives and policies designated to achieve structural adjustment of the Borrower's transport sector (the Program) and declaring the Borrower's commitment to the execution of the Program;.,and

(C) the Borrower intends to contract from Japan through the Japanese International Cooperation Agency (JICA), the French Republic through the Fonds d'Aide et de Cooperation (FAC), the Caisse Centrale de Cooperation Economique (CCCE), the Federal Republic of Germany through Kreditanstalt fur

Wiederaufbau (KfW) and Gesellschaft für Technische Zusammenarbeit (GTZ), the European Economic Community through the European Development Fund (EDF), and the United Nations Development Program (UNDP), loans and grants in a total amount equivalent to approximately forty-three million dollars, to assist in financing the Project on terms and conditions set forth in the respective loan and grant agreements (the Financing Agreements) to be entered into between the Borrower and each of the aforementioned entities; 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) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated April 11, 1987 and October 22, 1987; and October 25, 1988 and October 31, 1988 between the Borrower and the Association;

(c) "Road Fund" means the Fund established pursuant to Decree No. 81/008 dated January 5, 1981 as amended by Decree No. 81/249 dated August 17, 1981 and Ministerial Arrête No. 063/MTPAT/CAB/FR dated May 5, 1988 for the purpose of collecting certain revenues specifically earmarked for the financing of road maintenance operations;

(d) "MTPAT" means the Ministère des Travaux Publics et de l'Aménagement du Territoire of the Borrower;

(e) "MTAC" means the Ministère des Transports et de l'Aviation Civile of the Borrower;

(f) "RMMCG" means the Road Maintenance Management and Coordination Group established within MTPAT by Arrête No. 031 dated February 5, 1990;

(g) "CFAF" means the currency of the Borrower;

(h) "Environmental Action Plan" means the Action Plan to be submitted to the Association by the Borrower and further referred to in Section 3.05 of this Agreement;

(i) "PETROCA" means La Centrafricaine des Pétroles, a "société d'économie mixte", established and operating pursuant to Ordonnance No. 85/018 dated June 26, 1985 and Decree No. 88/403 dated December 28, 1988 of the Borrower;

(j) "SOCATRAF" means Société Centrafricaine des Transports Fluviaux, a société d'économie mixte established pursuant to Ordonnance No. 81.020 dated February 18, 1981 of the Borrower;

(k) "BARC" means Bureau d'Affretement Routier Centrafricaine, a societe d'economie mixte established pursuant to Ordonnance No. 81.030 dated June 17, 1981 of the Borrower;

(l) "CCAC" means Conseil Centrafricain des Chargeurs, an agency of the Borrower responsible for providing shipping services;

(m) "ASECNA" means Agence pour la Securite de la Navigation Aerienne en Afrique et Madagascar, a regional organization established by a convention dated October 25, 1974;

(n) "Equipment Workshop" means the workshop established within MTPAT for the purposes of performing routine maintenance and repair of heavy road machinery and equipment pertaining to MTPAT; and

(o) "FY" means the fiscal year 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 the Development Credit Agreement, an amount in various currencies equivalent to forty-six million and six hundred thousand Special Drawing Rights (SDR 46,600,000).

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 CFAF a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 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, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 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 February 1 and August 1 commencing August 1, 2000 and ending February 1, 2030. Each installment to and including the installment payable on February 1, 2010 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

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

(b) 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.

(c) 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 the Program in such detail as the Association shall reasonably request.

(d) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation to the generality of the provisions of Section 3.01 (a) above with regard to the provision of funds, the Borrower shall: (a) maintain the Road Fund; (b) take all measures required on its part to increase the annual revenues of the Road Fund from the current level of CFAF 1.8 billion to: (i) CFAF 2.1 billion in FY 1990; (ii) CFAF 2.2 billion in FY 1991; CFAF 2.4 billion in FY 1992; and (iv) CFAF 2.7 billion in FY 1993; (c) ensure that the proceeds of the Road Fund shall be used solely to defray the cost of road maintenance work programs agreed upon with the Association; (d) ensure that the revenues of the Road Fund shall be at all times managed by an administrator assisted by a controller and an accountant, all with qualifications and professional experience satisfactory to the Association; (e) have the Road Fund accounts and records for each FY audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association; and (f) by March 31 of each year submit the report of such audit to the Association for its review and comment.

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: (a) (i) formulate each year a draft road maintenance schedule; and (ii) submit it by September 30 of each year to the Association for its review and comments; (b) (i) prepare an annual transport sector investment budget (TSIB) including only investment proposals selected on the basis of a feasibility study demonstrating for each investment proposal an economic rate of return of at least 10%; (ii) by September 30 of each year submit said TSIB to the Association for its review and comments; and (iii) execute said TSIB as agreed upon with the Association.

Section 3.05. The Borrower shall: (a) by December 31, 1990, submit to the Association an Environmental Action Plan satisfactory to the Association; (b) promptly implement said Environmental Action Plan; and (c) submit to the Association by December 31 of each subsequent year a report on the progress achieved in the execution of said Environmental Action Plan.

Section 3.06. The Borrower shall: (a) by December 31, 1990 formulate the training program required to carry out Part D.5 (a) of the Project and submit it to the Association for its review and comments; and

(b) (i) promptly implement said training program; and (ii) by June 30 and December 31 of each year furnish to the Association for its review and comments a report on the progress achieved in its execution.

Section 3.07. The Borrower shall: (a) by December 31, 1990 make arrangements satisfactory to the Association to improve the management of its current stock of heavy road maintenance equipment (including, inter alia, adequate provisions for renting out available machinery and equipment to private contractors); (b) by December 31, 1990 carry out a study on the modalities of privatizing the management of MTPAT's Equipment Workshop; and (c) by January 31, 1991, implement the recommendations of said study as they shall have been agreed upon with the Association.

Section 3.08. The Borrower shall: (a) promptly upon completion furnish to the Association for its review and comments the results and recommendations of the studies included in Parts B.1, B.2, C.2 and D.5 (b) of the Project; and (b) implement the recommendations of said studies as

they shall have been agreed upon with the Association.

ARTICLE IV

Financial Covenants

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

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

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 Director of Road Maintenance and the Director of Human Resources in MTPAT and the Director responsible for Human Resources in MTAC have been appointed;

(b) the reorganization of MTPAT and MTAC and redeployment of their respective staff have been completed in a manner satisfactory to the Association; and

(c) the administrator, controller and accountant responsible for managing the revenues of the Road Fund have been appointed as provided for in Section 3.02 (d) of this Agreement.

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:

Ministry of Economy, Finance, Planning
and International Cooperation
P.O. Box 912
Central African Republic

Cable address: FINECA
Telex: 5280 RC

For the Association:

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

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

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

CENTRAL AFRICAN REPUBLIC

By /s/ Jean-Francois N'Dinga Gaba
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 works except for Part A (2) (b) of the Project:		

(a) for deviation of National Road No.1	5,800,000	95%
(b) other	26,200,000	95%
(2) Equipment, vehicles and materials	3,000,000	95%
(3) Operating costs for the planning unit and the training center	300,000	100%
(4) Consultants' services except for Parts B (1) and B (3) of the Project	3,000,000	100%
(5) Training	2,270,000	100%
(6) Refunding of Project Prepara- tion Advances	1,130,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	4,900,000	
TOTAL	46,600,000	

2. For the purposes of this Schedule, the term "operating costs" means expenditures in respect of items such as fuel, lubricants, costs for repair and maintenance of vehicles and office equipment, office supplies, and expenses for travel related to the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,250,000, may be made in respect of Category (1) (a) on account of payments made for expenditures before that date but after March 31, 1990; and (b) payments made for expenditures in respect of Category (1) (b) unless the Association has received evidence satisfactory to it that all arrears still due by PETROCA to the Road Fund as of March 31, 1990 have been settled.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) strengthen the Borrower's capability to adequately program, prepare and execute investment projects for its transport sector; and (b) develop a comprehensive road maintenance strategy to consolidate previous investments made in the transport sector, inter alia, through execution of routine and periodic maintenance for high priority roads, and selective rehabilitation and upgrading of existing infrastructure.

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: Road Rehabilitation and Maintenance

1. (a) Rehabilitation and routine/periodic maintenance (including technical studies thereof) of about 4,000 km of national and regional roads, and about 720 km of rural roads; and installation or repair of culverts, bridges and ferries; and (b) formulation of a rural roads master plan.
2. (a) Reconstruction of a segment of about 20 km of National Road No. 1 (NR1) including installation of culverts; and (b) execution of a detailed engineering study to extend the pavement of said NR1 on about 70 km between Bossembele and Yaloke, and pavement of the same.
3. Acquisition of equipment, vehicles and spare parts required for routine road maintenance and ferry services.
4. Strengthening the capability of domestic contractors to carry out road maintenance works.
5. Improvement of road safety through inter alia carrying out of road safety awareness campaigns, acquisition and installation of road signals, equipment, technical vehicle control stations and training of police staff responsible for enforcement of traffic regulations.
6. A program to protect the natural environment in particular along the Bambio-Boda road and the Mbaere River swamp, including, inter alia, prevention/control of erosion, forest fires and encroachment, and prevention/control of wild settlements of new villages along the Bambio-Boda road.

Part B: River Transport Improvement

1. Execution of pre-feasibility and feasibility studies required for the construction of a dam to regulate the flow of the Oubangui River.
2. A study to streamline the structure and level of tariffs charged by SOCATRAF for river transport.
3. Strengthening of SOCATRAF's capability to adequately maintain and repair its machinery and equipment.

Part C: Air Transportation Improvement

1. Strengthening of security conditions at the Bangui airport.
2. A study to improve the quality of services provided by ASECNA in the territory of the Borrower.
3. Execution of a technical study and maintenance works at the Berberati airport.

Part D: Institutional Improvement

1. Strengthening the capability of MTPAT to program, supervise and monitor the execution of road construction, rehabilitation and maintenance works.
2. Strengthening the capability of MTAC to formulate appropriate policies and strategies for the transport sector and monitor their implementation.
3. Improving the management of MTPAT's Equipment Workshop.
4. Improvement of the managerial and operational capability of MTPAT's Housing and Public Works Laboratory.
5. (a) Upgrading the skills of MTPAT and MTAC staff responsible for carrying out any part of the Project through carrying out of training activities, seminars and study tours.

(b) A study to streamline current regulations and procedures for procurement of goods and services by government agencies.

6. Diagnostic studies to streamline BARC's and CCAC's management.
7. Preparation of a follow-up project.

* * *

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

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 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).
2. To the extent practicable, contracts for vehicles, equipment and materials shall be grouped in bid packages estimated to cost the equivalent of \$250,000 or more each.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A 1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works estimated to cost less than the equivalent of \$150,000 up to an aggregate amount not exceeding the equivalent of \$5,100,000 and contracts for items such as fuel, lubricants, spare parts, tires, materials and tools estimated to cost the equivalent of \$50,000 or more but less than the equivalent of \$100,000 per contract up to an aggregate amount not exceeding the equivalent of \$1,200,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Office supplies and materials estimated to cost less than the equivalent of \$20,000 per contract may be procured under contracts awarded through direct shopping on the basis of comparison of price quotations solicited from at least three reputable suppliers.
3. Works for road maintenance up to an aggregate amount not to exceed the equivalent of \$3,000,000 may be carried out by force account.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract 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 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditures.

2. The figure of 15% 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

Implementation Program

In carrying out the Project, the Borrower shall take the following actions in accordance with the timetable indicated below:

1. (a) appoint and thereafter maintain as head of MTPAT's Directorate of Road Maintenance and Directorate of Human Resources and as Director responsible for Human Resources in MTAC candidates with qualifications and professional experience satisfactory to the Association; and

(b) establish RMMCG and thereafter maintain it within MTPAT with membership, functions and responsibilities satisfactory to the Association.

2. (a) Carry out diagnostic studies for BARC and CCAC and submit to the Association, for its review and comments, the results and recommendations of said studies by December 31, 1991; and (b) implement the recommendations of said studies as agreed upon with the Association.

3. Consolidate and streamline various regulations governing the transportation industry.

4. Improve the management of the Road Fund in accordance with the recommendations of the audit report carried out in 1988 as agreed upon with the Association. In addition, a report on the collection and use of the Road Fund revenues shall be submitted to the Association by the end of each calendar quarter for its review and comments.

5. Ensure that all investment proposals for the transport sector shall be screened and reviewed by the interministerial planning unit for transport and public works prior to their inclusion in the public investment program.

6. Submit a report to the Association by December 31 of each year on the progress achieved in the execution of the road safety program.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 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 replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

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

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

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

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

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

notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; 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 paragraph 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.

