

CONFORMED COPY

CREDIT NUMBER 2842 ET

Development Credit Agreement

(Water Supply Development and Rehabilitation Project)

between

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 15, 1996

CREDIT NUMBER 2842 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 15, 1996, between THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter, dated February 8, 1996, (the Policy Letter) from the Borrower describing its policies and objectives designed to implement its water supply and sanitation sector development program (the Program) and declaring its commitment to the execution of the Program;

(B) 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;

(C) Parts A.3, B.2 and C.3 of the Project will be carried out by the Addis Ababa Water and Sewerage Authority (AWSA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to AWSA part of the proceeds of the Credit as provided in this Agreement; 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 and in AWSA Project Agreement of even date between the Association and AWSA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted;
- (b) The second sentence of Section 5.01 is modified to read:
"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Association or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "MOWR" means the Borrower's Ministry of Water Resources;
- (b) "AWSA" means the Addis Ababa Water and Sewerage Authority established and operating pursuant to Proclamation No. 10/1995 dated May 18, 1995 of the Borrower;
- (c) "Regional Governments" means the regional governments of the Borrower's Regions of Tigray, Afar, Amhara, Oromia, Somali, Benshangul, Southern Ethiopia People's Region, Gambella, Harar and Addis Ababa;
- (d) "Project Implementation Manual" means the manual describing the Project implementation arrangements, procedures and schedules, adopted by the Borrower on February 8, 1996;
- (e) "Project towns" means the towns listed in the Project Implementation Manual;
- (f) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;
- (g) "AWSA Project Agreement" means the agreement of even date herewith between the Association and AWSA, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the AWSA Project Agreement; and
- (h) "AWSA Grant Agreement" means the agreement to be entered into between the Borrower and AWSA pursuant to Section 3.01 (c) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty four million Special Drawing Rights (SDR 24,000,000).

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

(b) The Borrower may, for the purposes of Parts A.3, B.2 and C.3 of the Project, open and maintain a special deposit account (Special Account A) and for the purposes of Parts A.1, A.2, B.1, C.1 and C.2 of the Project open and maintain a special deposit account (Special Account B) both in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Special Accounts 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2000, 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 canceled; 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 January 1 and July 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 semiannual installments payable on each January 1 and July 1 commencing July 1, 2006, and ending January 1, 2036. Each installment to and including the installment payable on January 1, 2016, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever:

- (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and
- (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy,

modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any other obligations under the Development Credit Agreement, the Borrower shall cause AWSA to perform in accordance with the provisions set forth in AWSA Project Agreement, shall take or cause to be taken all action, including provision of funds, facilities, services and other resources, necessary or appropriate to enable AWSA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall carry out Parts A.1, A.2, B.1, C.1, and C.2 of the Project, and cause AWSA to carry out Parts A.3, B.2, and C.3 of the Project, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, including the Project Implementation Manual.

(c) The Borrower shall make available, from the proceeds of the Credit, an amount not to exceed the equivalent of SDR 3,200,000 to AWSA, on a grant basis, under a grant agreement to be entered into between the Borrower and AWSA under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the AWSA Grant 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 amend, abrogate, or waive AWSA Grant Agreement, or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A.3, B.2 and C.3 of the Project shall be carried out by AWSA pursuant to Section 2.03 (a) of the AWSA Project Agreement.

Section 3.04. (a) Not later than September 30, 1997, the Borrower

shall carry out, jointly with AWSA and the Association, a comprehensive review of the execution of the Project. Without limitation upon the generality of the foregoing, the review shall, inter alia, cover the implementation and management aspects of the Project including progress made in the carrying out of the policy reforms envisaged under the Program, the status and results of training, reporting, accounting and audit performance, disbursement and procurement procedures and the overall sustainability of the Project.

(b) Not later than thirty days prior to the review referred to in paragraph (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in implementing the various components of the Project, and a draft action plan containing proposals for remedying any identified deficiencies.

(c) The Borrower shall promptly thereafter, in collaboration with AWSA: (i) prepare an action plan satisfactory to the Association based on the recommendations stemming from the aforementioned review, and (ii) adopt and implement said action plan for the remainder of the Project implementation period.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, in respect of Parts A.1, A.2, B.1 and C. 2 of the Project records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of Parts A.1, A.2, B.1 and C.2 of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account A for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six (6) 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account A 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.

Section 4.02. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the level of water tariffs levied by its Regional Governments in the Project Towns; and (b) unless the Association agrees otherwise, the Borrower shall, by not later than June 30, 1998, cause its respective Regional Governments to establish water tariffs at a level that would at least allow each of them to cover its water-related operations and maintenance expenses.

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 the Project, or a significant part thereof, will be carried out;

(b) AWSA shall have failed to perform any of its obligations under the AWSA Project Agreement;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that AWSA will be able to perform its obligations under the AWSA Project Agreement;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AWSA or for the suspension of its operations; and

(e) Proclamation No. 10/1995 dated May 18, 1995, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AWSA to perform any of its obligations under the AWSA Project Agreement.

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

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

(b) any event specified in paragraphs (d) and (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the consultancy contracts for the capacity building studies referred to in Part A.1 (a) of Schedule 2 to this Agreement, have been awarded in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower has furnished to the Association terms of reference acceptable to the Association for the preparation of the monitoring indicators referred to in paragraph 5 of Schedule 4 to this Agreement; and

(c) the AWSA Grant Agreement has been duly executed by the Borrower and AWSA.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the AWSA Project Agreement has been duly authorized or ratified by AWSA and is legally binding upon AWSA in accordance with its terms; and

(b) that the AWSA Grant Agreement has been duly authorized or ratified by the Borrower and AWSA, and is legally binding upon the Borrower and AWSA.

Section 6.03. 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 Finance of the Borrower 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 Finance
P.O. Box 1905
Addis Ababa
Ethiopia

Telex:

21147

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Berhane Gebre Christos
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James W. Adams
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Categories	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Drilling works and well construction under Part C.1 of the Project	280,000	100% of foreign expenditures
(2) Goods		100% of foreign expenditures
(a) for Parts A.3, B. 2 and C.3 of the Project	900,000	
(b) for Parts A.1, A.2, B.1, C.1 and C.2 of the Project	9,500,000	
(3) Consultants' services, and training		100%
(a) for Parts A.3, B.2 and C.3 of the Project	1,950,000	
(b) for Parts A.1, A.2, B.1, C.1 and C.2 of the Project	8,920,000	
(4) Refunding of Project Preparation Advance	170,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	2,280,000	
TOTAL	<u>24,000,000</u> =====	

2. For the purposes of this Schedule, 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify by notice to the Borrower, for expenditures for: (a) goods and works under contracts not exceeding \$100,000 equivalent, and (b) consultants' services under contracts not

exceeding \$100,000 equivalent for consulting firms and \$50,000 for individual consultants.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) ensure long-term viability of water supply and sanitation operations in line with the Borrower's regionalization policies, and (ii) improve the health and productivity of the population.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Capacity Building

1. Capacity building in the water supply sector consisting of:

(a) the carrying out of studies for all Regional Governments (except Addis Ababa) including: (i) an organizational management study to assess and improve the organizational structure, the staffing and incentive system in the sector, and the management information system; (ii) a financial management study to facilitate investment planning and financial management in the Regions, including improvement of revenue collection and billing procedures and development of a sound accounting system; (iii) an urban water technical management study to improve the technical capability, design standards and operation and maintenance (O&M) practices of zonal offices and water supply units of the Regions; (iv) a baseline study in each Project town to establish a basis for performance evaluation of the water supply operations in Project Towns and their socio-economic impact; (v) an asset evaluation and tariff study in each Project town to ensure the cost recovery of the water supply utility operations in Project Towns; and (vi) a regulatory study for MOWR to review existing regulations and propose a regulatory framework conducive to the introduction of full cost recovery principles, efficient supply operations in the regions and participation by the private sector.

(b) Provision of technical advisory services to assist the Regional Governments in carrying out the recommendations of the organizational management study, the financial management study and the urban water technical management study referred to in paragraph (a) above.

(c) Training of personnel of the Water Resource Bureaus of the Regional Governments and MOWR including: (i) training of grass-root working level staff, mid-level management and top management of the bureaus, departments, zonal offices, and water supply units; (ii) training in general management and specific management skills; and (iii) professional training including budget planning and preparation, legal management, safety training, pollution control, operation and maintenance of maintenance rigs, and accounting and auditing.

(d) Provision of equipment, maintenance rigs, mobile workshops and vehicles to facilitate the capacity building of the Regional Governments, including the acquisition of a vehicle for each water supply unit in each Project town to facilitate the carrying out and subsequent operations of the rehabilitated water supply schemes.

2. (a) The carrying out of studies to review the current practices and institutional arrangements of rural water supply schemes among different communities, regions and non-governmental organizations (NGOs) and to prepare appropriate national/regional strategies to improve operations.

(b) Provision of technical advisory services and acquisition of equipment for the establishment of a rural water supply forum for exchange and dissemination of experiences among the Borrower, donors, NGOs and communities.

(c) Construction of rural water supply pilot schemes for testing and application of detailed water supply strategies through the voluntary efforts of partner members of the rural water supply forum referred to in paragraph (b) above.

3. (a) Updating of the organizational and management study, the management information study, and the tariff study which have been carried out for AWSA.

(b) Training of personnel of AWSA including: (i) training of grass-root working level staff, mid-level management and top management; (ii) training in general management and specific management skills, and (iii) professional training including budget planning and preparation, legal management, safety training, pollution control and accounting and auditing.

(c) Provision of technical advisory services to assist AWSA in carrying out the recommendations of the organizational management, the management information and the tariff studies referred to in paragraph (a) above.

(d) Acquisition of water meters, vehicles and miscellaneous equipment to assist AWSA in improving its maintenance and operational capacity and implementing the new water and sewerage tariffs.

Part B: Feasibility and Engineering Studies

1. The carrying out of water schemes feasibility studies and preparation of engineering designs for the rehabilitation of water supply and sanitation schemes and for long-term investment planning for future expansion of the urban water supply schemes in the Project towns, including: (i) the carrying out of rehabilitation studies to identify the immediate rehabilitation needs of water supply schemes in the Project towns; and (ii) preparation of engineering designs and environmental assessments for future expansion of water supply schemes in the Project towns.

2. Preparation of building works designs for the construction or improvement of headquarters offices for the water supply operations in Afar, Somali, Benshangul and Gambella Regions and for the branch offices of AWSA.

Part C: Physical Works

1. Rehabilitation of the water supply schemes in all the Project towns.

2. Construction or improvement of headquarters facilities for the regional water supply headquarters in Afar, Somali, Benshangul and Gambella Regions.

3. Upgrading of AWSA's branch network including construction of six new branch offices and six storage facilities for AWSA.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of "Section I of the Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this part B:

(a) Grouping of contracts

To the extent practicable, contracts for office equipment, small water supply equipment and spare parts shall be grouped in bid packages estimated to cost \$20,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. International Shopping

Office equipment, water supply equipment and spare parts estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Direct Contracting

Spare parts for the rehabilitation and repair of existing electrical and mechanical equipment under Part C.1 of the Project, which are of a proprietary nature, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7(c) of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraph 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II: Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the consultants Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank.

Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

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

SCHEDULE 4

Implementation Program

1. The Borrower shall maintain for the duration of the Project implementation period the Steering Committee established pursuant to MOWR's Notice of February 8, 1996 with composition and functions acceptable to the Association. Under the supervision of the Steering Committee, MOWR shall be responsible for the overall coordination and implementation of the Project. The Borrower shall maintain for the duration of the Project implementation period, a Project coordination and monitoring unit with terms of reference acceptable to the Association, and which shall be headed by a Project Coordinator, whose qualifications and experience shall be at all times satisfactory to the Association.

2. At the regional level, except in Addis Ababa, the Project will be implemented by the Regional Governments Water Resource Development Bureaus (RWRDB). Each RWRDB shall appoint a Regional Manager to be responsible for the Project coordination and implementation of the Project at the regional level. In each region, the Regional Manager shall, by not later than June 30, 1996, be assisted by competent staff in adequate numbers, including an electrical/mechanical engineer, a civil/water/ environment engineer, an accountant/ financial analyst, a sociologist/extension worker and a personnel/administration officer.

3. Regional Managers shall report to the Project Coordinator through RWRDB. The Project coordination and monitoring unit within MOWR shall coordinate and supervise all Project activities, including signing of contracts on behalf of the Regional Governments. In Addis Ababa, the Project will be implemented by AWSA.

4. The Borrower shall ensure that the Project is carried out in accordance with the Project Implementation Manual, subject to such modifications as may be agreed upon between the Borrower and the Association from time to time.

5. The Borrower shall, not later than November 30, 1996, furnish to the Association, monitoring indicators, satisfactory to the Association, to be achieved by the time of the review referred to in Section 3.04 of this Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), and 3 (a) with respect to Special Account A, and Categories (1) (b), (2) (b), and (3) (b) with respect to Special Account B 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 \$1,000,000 in respect of the Special Account for Parts A.3, B.2 and C.3 of the Project (Special Account A) and an amount equivalent to \$1,000,000 in respect of the Special Account for Parts A.1, A.2, B.1, C.1 and C.2 thereof (Special Account B), to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 in respect of the Special Account A and an amount equivalent to \$500,000 in respect of the Special Account B, until: (i) the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (a), (2) (a), and (3) (a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.3, B.2 and C.3 of the Project shall be equal to or exceed the equivalent of SDR 1,400,000, and (ii) in respect of the Special Account B, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (b), (2) (b) and (3) (b) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.1, A.2, B.1, C.1 and C.2 of the Project shall be equal to or exceed the equivalent of SDR 2,400,000.

2. Payments out of the respective 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 respective 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 deposit into the respective Special Account of an amount or amounts 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective 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 respective 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 respective 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 respective 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 any 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account A and the Special Account B, respectively, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A.3, B.2 and C.3 of the Project, and Parts A.1, A.2, B.1, C.1 and C.2 of the Project, respectively, shall equal the equivalent of twice the amount of the Authorized Allocation for the respective Special Account.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A.3, B.2 and C.3 of the Project, and Parts A.1, A.2, B.1, C.1 and C.2 of the Project, respectively, 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 respective 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 any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective 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 any 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 any 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 Accounts.

(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.

