

CONFORMED COPY

CREDIT NUMBER 2614 CD

Development Credit Agreement
(Public Works and Capacity Building Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 1994

CREDIT NUMBER 2614 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 13, 1994, between REPUBLIC OF CHAD (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "ATETIP" means the Agence Tchadienne d'Execution de Travaux d'Interet Public, an entity established under the laws of the Borrower;
- (b) "Beneficiary" means the municipality or public entity for whose benefit a Sub-Project is to be executed;
- (c) "CFA Franc" means the currency of the Borrower;
- (d) "Convention" means the agreement to be entered into between the Borrower and ATETIP pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes the Manuel de Procedures, and all other annexes, schedules and attachments thereto;
- (e) "Implementing Enterprise" means an engineering firm or other entity to which a contract has been awarded for the execution of a Sub-Project;
- (f) "Manuel de Procedures" means the procedures manual adopted by ATETIP, in form and substance acceptable to the Association, which shall specify the procedures governing ATETIP's operations;
- (g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter agreement, dated January 10, 1994, between the Borrower and the Association;
- (h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (i) "Sub-Project" means any of the public works and services sub-project activities described in Part A of the Project; and
- (j) "Sub-Project Agreement" means an agreement to be entered into between ATETIP and an Implementing Enterprise for the execution of a Sub-Project.

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 twelve million four hundred thousand Special Drawing Rights (SDR 12,400,000).

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 CFA Francs 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 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999 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 or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 1 and December 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 June 1 and December 1 commencing June 1, 2004 and ending December 1, 2033. Each installment to and including the installment payable on December 1, 2013 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

Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall, with ATETIP, carry out Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and with due regard to ecological and environmental factors;

(ii) shall cause ATETIP to execute the Project in accordance with the provisions of the Convention;

(iii) shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ATETIP to carry out the Project; and

(iv) shall refrain from taking or permitting to be taken any action which would prevent or interfere with such execution and performance by ATETIP.

(b) For the purpose of carrying out the Project, the Borrower shall enter into a Convention with ATETIP on terms and conditions satisfactory to the Association, which shall include those terms and conditions set forth in Schedule 5 to this Agreement.

(c) The Borrower shall exercise its rights under the Convention in such manner as to cause ATETIP to execute the Project, to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Convention 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 shall (in addition to the funds referred to in Section 6.01(g)(ii) of this Agreement) provide to ATETIP for the execution of Sub-Projects: (a) at least \$250,000 equivalent not later than July 1, 1995; (b) at least \$250,000 equivalent not later than July 1, 1996; and (c) at least \$250,000 equivalent not later than July 1, 1997.

Section 3.04. The Borrower shall: (a) complete the study of the public procurement practices under Part D of the Project not later than December 31, 1994, (b) within three months following such completion, submit to the Association for its comments a proposed action plan setting forth the measures that the Borrower proposes to improve its public procurement practices, (c) not later than December 31, 1995, adopt an action plan, satisfactory to the Association, to improve such practices, and (d) not later than December 31, 1996, fully implement such action plan.

Section 3.05. (a) The Borrower shall and shall cause ATETIP to carry out, jointly with the Association, an annual review of the Project during the second calendar quarter of each year (other than in calendar year 1996). This review shall cover, inter alia: (i) the implementation of the Sub-Projects, (ii) ATETIP's management and its administrative cost structure, (iii) the performance by ATETIP and the Borrower of their respective obligations under the Convention (including compliance with procurement procedures), (iv) the compliance of ATETIP with the Manuel de Procedures, (v) the performance by ATETIP and Implementing Enterprises of their respective obligations under Sub-Project Agreements, (vi) implementation by ATETIP of the training programs under Part B of the Project, (vii) means to enhance the environmental impact of Sub-Projects, and (viii) other matters specified by the Association relating to the purposes of the Credit.

(b) The Borrower shall and shall cause ATETIP to carry out, jointly with the Association, during the second calendar quarter of 1996, a detailed mid-term review of the progress made in carrying out the Project, including a review of (i) the items

listed under paragraph (a) of this Section, and
(ii) Sub-Project labor ratios, wages, cost overruns, completion delays and unit prices.

(c) During the first quarter of each year, the Borrower shall, and shall cause ATETIP to, furnish to the Association, for its review and comments, reports, in such detail as the Association shall reasonably request, on the progress and status of the Project. For purposes of the mid-term review described in paragraph (b) above, the Borrower shall cause ATETIP to commission a study of the items listed under subparagraph (ii) of such paragraph (b).

(d) Following each such review, the Borrower shall, and shall cause ATETIP to, promptly and diligently implement any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause ATETIP to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of ATETIP (including all operations under Part D of the Project).

(b) The Borrower shall cause ATETIP to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal quarter and 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 three months after the end of each such quarter (other than the fourth) and of each such year: (A) certified copies of its financial statements for such quarter and year as so audited, and (B) 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 such records, accounts, financial statements 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 cause ATETIP to:

(i) maintain, 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 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) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that ATETIP or the Borrower will be able to perform its obligations under the Convention;

(b) ATETIP's Statuts or reglements interieurs or the Manuel de Procedures shall have been amended, suspended, abrogated, repealed or waived without the prior consent of the Association;

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ATETIP, or for the suspension of its operations;

(d) the Borrower or ATETIP shall have failed to perform any of their respective obligations under the Convention; and

(e) the Convention shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Project or the performance by ATETIP or the Borrower of its obligations under the Convention.

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

(a) any event specified in paragraphs (b), (d) or (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) 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 Convention, in form and substance acceptable to the Association, has been duly signed by the Borrower and ATETIP;

(b) ATETIP's Statuts and reglements interieurs and the Manuel de Procedures are in form and substance acceptable to the Association;

(c) ATETIP has adopted a program of Sub-Projects to be financed under the Credit, acceptable to the Association, representing an aggregate estimated cost of \$2,750,000 equivalent;

(d) ATETIP has submitted to the Association (i) action plans for the execution of the training programs under Parts B.1 and B.2 of the Project, and (ii) an action plan to increase community participation under Part B.3 of the Project;

(e) ATETIP has (i) established an accounting system acceptable to the Association, and (ii) employed an independent auditor for a period of at least four years, with qualifications and experience and under terms of reference acceptable to the Association;

(f) ATETIP has employed a technical director and a financial director, with qualifications and experience and under terms of reference acceptable to the Association;

(g) (i) ATETIP has adopted a program of Sub-projects, acceptable to the Association and in addition to those proposed under paragraph (c) of this Section, representing an aggregate estimated cost of \$250,000 equivalent to be financed by the Borrower (as described in paragraph 11 of Schedule 5 to this Agreement); and (ii) the Borrower has deposited into ATETIP's account at least \$250,000 equivalent to finance the execution of such Sub-Projects; and

(h) ATETIP has submitted to the Association a roster with at least 10 local contractors and consultants eligible for Sub-Project execution under the Manuel de Procedures.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinions to be furnished to the Association, namely, that the Convention has been duly authorized or ratified by the Borrower and ATETIP, and is legally binding upon the Borrower and ATETIP in accordance with its terms.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister for Planning and Cooperation 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 Planning and Cooperation
BP 286
N'Djamena
Republic of Chad

Cable address:

MINPLAN
N'Djamena

Telex:

5329 KD

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:

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

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 CHAD

By /s/ Favitsou Boulandi

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) Public Works	7,790,000	100%
(2) Consultants' Ser- vices and Training for Parts B and C of the Project	2,630,000	100%
(3) Consultants' Ser- vices for Part D of the Project	480,000	100%
(4) Equipment and Vehicles for ATETIP	300,000	100%
(5) Operating Costs of ATETIP	720,000	100%
(6) Refunding of Project Preparation Advance	150,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	330,000	
TOTAL	<u>12,400,000</u> =====	

2. For the purposes of this Schedule, the term "Operating Costs of ATETIP" means any administrative costs of ATETIP, including costs for office supplies, rent for office space, and salaries of ATETIP staff and consultants.

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 for expenditures under contracts for works not exceeding \$250,000 equivalent, and for goods and services not exceeding \$20,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to finance a program of municipal and governmental works in the area of infrastructure upgrading and rehabilitation and demonstrate the feasibility of labor-intensive public works projects; (b) to improve the delivery of public services; (c) to promote the participation of local private contractors and consulting firms in the execution of public works projects, and to improve their skills; (d) to increase employment in urban areas using the private sector; (e) to strengthen the institutional capacity of ATETIP; and (f) to improve public sector procurement practices.

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: Public Works and Services Program

1. Execution of public works sub-projects, to be carried out under labor-intensive schemes by local contractors, including the construction and repair of urban infrastructure and public facilities.

2. Execution of public services sub-projects, to be carried out under labor-intensive schemes by local private firms, including waste collection and disposal.

Part B: Strengthening Managerial Capacity and Community Participation

1. Development and implementation of training programs to increase the technical and managerial capacity of small- and medium-scale contracting firms and consulting firms carrying out Sub-Projects, inter alia through the implementation of:

(a) a business administration and financial management training program for entrepreneurs;

(b) a work organization training program primarily designed for foremen; and

(c) technical training courses to improve worker productivity.

2. Development and implementation of a training program to strengthen the capacity of Beneficiaries and engineering firms to prepare feasibility studies and technical project proposals for Sub-Projects.

3. Development and implementation of a program to increase community participation in urban infrastructure maintenance and rehabilitation.

Part C: Institutional Development of ATETIP

Development and implementation by ATETIP of a program to monitor and evaluate its operations and the activities it manages, including quarterly financial and management audits of such operations and activities, and an assessment of the environmental impact of Sub-Projects.

Part D: Public Sector Procurement

Strengthening the Borrower's public sector procurement practices through, inter

alia, preparation of a study to analyze and streamline procurement procedures and practices.

* * *

The Project is expected to be completed by December 31, 1998.

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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally-recognized standard forms agreed with the Association.

2. Goods procured under this Part A shall be exempted from pre-shipment price inspection by a third-party inspection firm.

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 Chad 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.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 D: Other Procurement Procedures

1. Items or groups of items for works estimated to cost the equivalent of \$340,000 or less per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods, up to an aggregate amount equivalent to \$420,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures 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 (i) for goods estimated to cost the equivalent of \$10,000 or more, and (ii) for works estimated to cost the equivalent of \$170,000 or more or for which there are less than five bidders, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out Part D of the Project, and to assist ATETIP in carrying out Parts A, B and C of the Project, the Borrower shall cause ATETIP to 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall cause ATETIP to employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed to by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall cause ATETIP to use other standard forms agreed with the Association.

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 contracts estimated to cost less than: (a) \$30,000 equivalent each, in the case of firms, and (b) \$10,000 equivalent each, in the case of individuals. However, this exception to prior Association review shall not apply to the terms of reference for such contracts or to single source selection of firms or individuals, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to: (a) \$30,000 equivalent each, in the case of firms, and (b) \$10,000 equivalent each, in the case of individuals.

SCHEDULE 4

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 \$1,500,000 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 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 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; 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 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

Terms and Conditions Referred to in Section 3.01(b) of this Agreement Regarding the Convention

The Convention shall be for a term of six years and shall include the following:

1. Provisions for the transfer of the proceeds of the Credit on a non-reimbursable basis to ATETIP for purposes of financing expenditures incurred in carrying out the Sub-Projects, including ATETIP's equipment and operating costs.

2. The obligation of ATETIP to: (a) take all measures necessary to ensure that the Project is carried out with due diligence and efficiency and in accordance with appropriate financial, administrative, technical and engineering practices, and with due regard to ecological and environmental factors, (b) comply with the recordkeeping, auditing and reporting requirements set forth in Article 4 of the Development Credit Agreement, (c) maintain the accounting system established in accordance with Section 6.01(e) of the Development Credit Agreement, with such changes thereto as may be agreed to by the Association, and (d) employ and maintain an independent auditor with qualifications and experience and under terms of reference acceptable to the Association.

3. The obligation of ATETIP to conduct its operations in a cost-effective manner, and to review periodically with the Borrower and the Association its administrative cost structure.

4. The obligation of ATETIP to carry out its activities in accordance with the Manuel de Procedures, which shall specify the obligations of ATETIP relating, inter alia, to: the execution of the Project, the selection of Sub-Projects, procurement, and the submission of evidence required to withdraw the proceeds of the Credit and replenishing the Special Account. These obligations shall include the requirement that ATETIP submit to the Association for its approval a description of each Sub-Project for which it intends to obtain financing from the Credit, including a description of the activities to be financed, and a listing of the cost elements.

5. (a) The obligation of ATETIP to keep the positions of general director, technical director, and financial director staffed, at all times, with persons having experience, qualifications and terms of reference acceptable to the Borrower and the Association.

(b) The obligation of ATETIP to update at least every six months its roster of contractors and consultants eligible under the Manuel de Procedures.

6. The obligation of ATETIP to promptly inform the Borrower and the Association of

any condition which interferes, or threatens to interfere, with (a) the progress of the Project or any Sub-Project, (b) the accomplishment of the purposes of the Credit, (c) the performance by ATETIP of its obligations under the Convention, or (d) the performance by ATETIP or any Implementing Enterprises of their respective obligations under any Sub-Project Agreement.

7. The obligation of ATETIP to provide to the Association and the Borrower: (a) by the thirtieth day following the end of each fiscal quarter, a report of its activities during such fiscal quarter, in such scope and detail as the Borrower and the Association shall reasonably request, and (b) not later than three months after the Closing Date, a report complying with the requirements of the completion report required under Section 9.06 (c) of the General Conditions.

8. Attached thereto as an annex, a sample Sub-Project Agreement.

9. Attached thereto as an annex, a sample of the agreement to be entered into between ATETIP and Beneficiaries regarding Sub-Project execution.

10. (a) The obligation of ATETIP to fully execute, not later than June 30, 1995, the program of Sub-Projects to be financed from the Credit agreed upon with the Association in accordance with Section 6.01(c) of the Development Credit Agreement (with such changes thereto as may be agreed to by the Association).

(b) The obligation of ATETIP: (i) to submit to the Association for its approval, not later than April 30, 1995, a program of proposed Sub-Projects to be financed from the Credit representing an aggregate estimated cost of \$2,750,000, (ii) to adopt, not later than August 31, 1995, a program of Sub-Projects, to be financed from the Credit and acceptable to the Association, representing an aggregate estimated cost of \$2,750,000, and (iii) to fully execute, not later than June 30, 1996, such program of Sub-Projects (with such changes thereto as may be agreed to by the Association).

(c) The obligation of ATETIP: (i) to submit to the Association for its approval, not later than April 30, 1996, a program of proposed Sub-Projects to be financed from the Credit representing an aggregate estimated cost of \$2,750,000, (ii) to adopt, not later than August 31, 1996, a program of Sub-Projects to be financed from the Credit and acceptable to the Association, representing an aggregate estimated cost of \$2,750,000, and (iii) to fully execute, not later than June 30, 1997, such program of Sub-Projects (with such changes thereto as may be agreed to by the Association).

(d) The obligation of ATETIP: (i) to submit to the Association for its approval, not later than April 30, 1997, a program of proposed Sub-Projects to be financed from the Credit representing an aggregate estimated cost of \$2,750,000, (ii) to adopt, not later than August 31, 1997, a program of Sub-Projects to be financed from the Credit and acceptable to the Association, representing an aggregate estimated cost of \$2,750,000, and (iii) to fully execute, not later than June 30, 1998, such program of Sub-Projects (with such changes thereto as may be agreed to by the Association).

11. (a) The obligation of ATETIP to execute, before June 30, 1998, a program of Sub-Projects (in addition to those financed under the Credit) representing an aggregate cost of \$1,000,000 equivalent, out of which: (i) Sub-Projects representing an aggregate cost of at least \$250,000 equivalent shall be completed not later than June 30, 1995; (ii) additional Sub-Projects representing an aggregate cost of at least \$250,000 equivalent shall be completed not later than June 30, 1996; (iii) further additional Sub-Projects representing an aggregate cost of at least \$250,000 equivalent shall be completed not later than June 30, 1997; and (iv) further additional Sub-Projects representing an aggregate cost of at least \$250,000 equivalent shall be completed not later than June 30, 1998.

(b) The obligation of the Borrower (i) to make available to ATETIP 100% of the resources needed for the execution of the Sub-Projects referred to in sub-paragraph 11(a) above (without recourse to any financing provided by the Association under any credit for an investment project), and (ii) to deposit with ATETIP \$1,000,000 equivalent in funds in accordance with the requirements of Sections

3.03 and 6.01(g)(ii) of the Development Credit Agreement.

12. The obligation of ATETIP to adopt, not later than June 30 of each year, an annual training program for the succeeding twelve-month period to carry out Parts B.1 and B.2 of the Project, which program shall be satisfactory to the Association and shall take into account the needs identified during implementation of the training program the previous year.

13. The obligation of ATETIP to update not later than June 30 of each year, in a manner acceptable to the Association, its action program for increasing community participation under Part B.3 of the Project, which update shall take into account the needs identified during implementation of such Part during the previous year.

14. The obligation of ATETIP to implement Parts B and C of the Project in accordance with an operational plan acceptable to the Association and the Borrower.

15. The obligation of ATETIP to serve as procurement agent for the Borrower to procure all goods and services required for the implementation of Part D of the Project.

16. The obligation of ATETIP:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound financial, administrative, technical and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound technical and financial practices.

17. The obligation of ATETIP to comply with the requirements of Section 3.05 of the Development Credit Agreement regarding the review of Project implementation and related actions.

18. The obligation of ATETIP to refund to the Borrower any proceeds from the Credit not used for purposes of carrying out the Project, unless the Borrower and the Association shall otherwise agree.

