

CONFORMED COPY

CREDIT NUMBER 2385 ANG

(Power Sector Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF ANGOLA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 20, 1992

CREDIT NUMBER 2385 ANG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 20, 1992, between PEOPLE'S REPUBLIC OF ANGOLA (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 Borrower has submitted to the Association a Power Sector Policy Statement dated June 3, 1992 describing the Borrower's policy and institutional principles and guidelines for the sector and its commitment to the achievement of said principles and guidelines;

(C) the Borrower has requested from European Investment Bank (EIB) a loan (the EIB Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between a representative of the Borrower and EIB;

(D) the Borrower has obtained from African Development Bank (ADB) a loan (the ADB Loan) part of which will assist in financing part of the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) entered into between the Borrower and the ADB;

(E) Parts B and C of the Project will be carried out by Empresa Nacional de Electricidade (ENE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ENE 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 the ENE Project Agreement of even date herewith between the Association and ENE; and

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) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 4, 1990 and January 13, 1992 between the Borrower and the Association;

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

(c) "EDEL" means Empresa de Distribuicao de Electricidade de Luanda, the Borrower's enterprise established pursuant to the Borrower's Decree No. 25/87, dated August 15, 1987 and operating pursuant to its Statutes approved by the Borrower's Decree No. 11/91 dated March 30, 1991;

(d) "ENE" means Empresa Nacional de Electricidade, the Borrower's enterprise established pursuant to the Borrower's Decree No. 24/80 dated March 20, 1980 and operating pursuant to its Statutes approved by the Borrower's Decree No. 28/90 dated December 8, 1990, as adjusted by Diario da Republica, 1a.Serie, No. 31 of July 26, 1991 and Despacho No. 11/92 and Despacho No. 12/92;

(e) "ENE Project Agreement" means the agreement between the Association and ENE, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the ENE Project Agreement; and

(f) "SEEA" means Secretaria de Estado de Energia e aguas, the Borrower's State Secretariat for Energy and Water established pursuant to Law No. 2/91, dated February 23, 1991; and

(g) "fiscal year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31.

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 five hundred thousand Special Drawing Rights (SDR 24,500,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special deposits accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) Special Account A (SEEA Account) for Part A of the Project; and (ii) Special Account B (ENE Account) for Parts B and C of the Project. Deposits into, and payments out of, Special Account A and Special Account B shall be made in accordance with the provisions of Schedules 4 and 5, respectively, 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, 1998 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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2002 and ending March 15, 2032. Each installment to and including the installment payable on March 15, 2012 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.

Section 2.09. ENE is designated as representative of the Borrower in respect of Parts B and C of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a) of this Agreement and Article V 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 carry out Part A of the Project through SEEA with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and

(ii) without limitation or restriction upon its other obligations under the Development Credit Agreement, the Borrower shall cause ENE to perform in accordance with the provisions of the ENE Project Agreement the obligations of ENE therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ENE 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 transfer on a grant basis a portion of the proceeds of the Credit to ENE for purposes of carrying out Parts B and C of the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part A of 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. (a) The Borrower shall increase every six months electricity tariffs to reach, not later than December 31, 1993, a level sufficient to cover operating expenses for the electricity power sector, calculated on a consolidated basis. For the purposes of this Section, the term "operating expenses" means the sum of all expenses related to electricity operations, including administration and adequate maintenance but excluding provision for depreciation, other non-cash operating charges, and interest and other charges on long-term debt.

(b) The Borrower shall submit to the Association for its comments, not later than December 31, 1993, a tariff study, including an analysis of the long-run marginal cost of supply, and shall implement the recommendations of such study not later than June 30, 1994.

(c) Beginning June 30, 1994, the Borrower shall maintain a tariff structure for the electricity sector based on the long-run marginal cost of supply and sufficient to cover operating expenses and depreciation for the electricity power sector on a consolidated basis.

(d) The Borrower shall undertake annual reviews with the Association on the conformity of its tariff structure and level to the requirements of this Section.

Section 3.04. Except as the Association and the Borrower shall so agree, the Borrower shall, starting with the period 1993-1995, until the completion of the Project:

(a) submit to the Association for its review and comments, not later than November 1, 1992, and by November 1, of each year thereafter, a draft three-year rolling investment program for the electricity sector; and

(b) promptly thereafter, approve and implement such draft rolling investment program, taking into consideration the comments made by the Association.

Section 3.05. The Borrower shall:

(a) not later than March 31, 1993, prepare and complete an action plan (the Plan) and an implementation timetable to be reviewed jointly with the Association. The Plan shall include:

- (i) the legal and regulatory framework for the electricity sector, which shall provide, among other things for the separation of the regulatory function from the administration and management of power utilities;
 - (ii) the institutional and organizational structure of the power sector; and
 - (iii) the restructuring of ENE, including: approval of new statutes; appointment of a board of directors of ENE comprised of persons with the appropriate management and electricity sector expertise;
- and

(b) not later than June 30, 1993, take all legal and administrative measures necessary to implement the Plan, taking into consideration the comments made by the Association.

Section 3.06. Beginning with fiscal year 1993, the Borrower shall cause all government agencies and parastatals to: (a) prepare budgets with reasonable provisions for electricity consumption; and (b) settle their electricity bills within 60 days of receipt.

Section 3.07. The Borrower shall cause ENE and EDEL to take all appropriate actions to collect electricity bills from all customers including public and private sector customers; such actions shall include systematic disconnection of said customers with over 60 days of arrears.

Section 3.08. The Borrower shall cause ENE to carry out and submit to the Association not later than June 30, 1994, an inventory and valuation of its assets.

Section 3.09. The Borrower shall implement Part A of the Project, and coordinate overall project implementation, through the project coordination unit established in accordance with Section 6.01 (a) of this Agreement under terms of reference acceptable to the Association.

Section 3.10. (a) The Borrower shall carry out, and cause ENE to carry out, jointly with the Association, not later than 24 months after the Effective Date, a mid-term review of the progress made in carrying out the Project.

(b) The review shall cover, among other things: (i) an assessment of the implementation of the Plan, as mentioned in Section 3.05 of this Agreement; (ii) the pricing of electricity; (iii) the improvements in management, accounting and commercial operations in ENE and EDEL; (iv) the financial performance of ENE and EDEL; (v) the effectiveness of the technical assistance provided to date; and (vi) the overall implementation of the power sector rehabilitation program.

(c) Based on such review, the Borrower shall promptly prepare an action program, satisfactory to the Association, for the further implementation of the Project, and shall implement such action program.

Section 3.11. The Association and the Borrower 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 B and C of the Project shall be carried out by ENE pursuant to Section 2.03 of the ENE Project Agreement.

ARTICLE IV

Financial Covenants

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

expenditures in respect of Part A of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit 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) ENE shall have failed to perform any of its obligations under the ENE Project Agreement;
- (b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ENE will be able to perform its obligations under the ENE Project Agreement;
- (c) The Statutes of ENE shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ENE to perform any of its obligations under the ENE Project Agreement;
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENE, or for the suspension of its operations, without the consent of the Association;
- (e) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any loan or grant 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 thereof, 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; and

(f) Legislation regulating the electricity sector consistent with the requirements of Section 3.05 (a) (i) of this Agreement, and in form acceptable to the Association, shall not have been promulgated by the Borrower on or before June 30, 1994.

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

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

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur; and

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

ARTICLE VI

Effective Date; Termination

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

(a) a project coordination unit within SEEA shall have been established and staffed with qualified managerial and accounting staff, under terms of reference acceptable to the Association;

(b) consultants' services, to assist SEEA in coordinating the power sector rehabilitation program as referred to under Part A.3 of the Project, shall be selected and contracted in accordance with terms and conditions acceptable to the Association.

(c) ENE shall have established and staffed a project implementation unit under terms of reference acceptable to the Association; and

(d) ENE shall have prepared terms of reference and a shortlist of auditors to carry out the annual audit described in Section 4.01 of the ENE Project Agreement, in accordance with the provisions of Section II of Schedule 1 of the ENE Project Agreement.

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, that the ENE Project Agreement has been duly authorized or ratified by ENE, and is legally binding upon ENE 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. Except as provided in Sections 2.09 and 2.10 of this Agreement, the Minister of Planning 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
Largo do Palacio
P.O. Box 1205
Luanda
People's Republic of Angola

Cable address:	Telex:
MINISTERIO DO PLANO Luanda	998 3395 AN/MINPLAN 998 3082 AN/MINPLAN

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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.

PEOPLE'S REPUBLIC OF ANGOLA

By /s/ Afonso van Dunem

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) Rehabilitation Programs:		100% of foreign expenditures and 80% of local

(a) for Part B.1 of the Project	8,870,000	expenditures
(b) for Part C.2 of the Project	400,000	
(2) Equipment, supplies and vehicles		100% of foreign expenditures and 80% of local expenditures
(a) for Parts A.3 and A.4 of the Project	700,000	
(b) for Parts B.2 and B.3 of the Project	3,030,000	
(c) for Part C.3 of the Project	60,000	
(3) Consultants' Services, Training and audits:		100%
(a) for Part A of the Project	2,350,000	
(b) for Part B of the Project	2,520,000	
(c) for Part C of the Project	2,360,000	
(4) Refunding of Project Preparation Advance	550,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	3,660,000	
TOTAL	24,500,000	

2. For the purposes of this Schedule:

(a) the term "rehabilitation programs" means expenditures for civil works and equipment procured to rehabilitate electrical equipment, whether under a turnkey contract or otherwise;

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

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

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

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) reestablishment of the integrity of the transmission grid in the Borrower's northern and central electrical systems; and (ii) improving the institutional capacity of the Borrower to regulate, and of the electricity enterprises to operate, the electricity power sector.

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

Part A: Electricity Sector Management

1. Improving the regulatory and operational framework of the Borrower's electricity sector, including modifying the legal framework and the sector's organizational structures to improve operating efficiency.
2. Increasing electricity engineering expertise.
3. Improving SEEA's ability to coordinate investments, and regulate the electricity sector, and to support implementation of the reforms of the sector under Part A.1 above.
4. Acquisition, installation and operation of about 5,000 prepayment meters in Luanda.

Part B: Rehabilitation of Central Power System and Improved Operational Capacity of ENE

1. Carrying out a rehabilitation program, including: (a) the Quileva-Huambo transmission line; (b) the Quileva, Biopio, Alto Catumbela and Huambo substations; (c) the Huambo distribution network; and (d) preparation of a study identifying the needs of such network.
2. Improved maintenance of ENE's power system, including the training of staff and the establishment of an improved maintenance program.
3. Improving the operational capacity of ENE, including the establishment of an effective accounting system, management information system, stock management system, and metering and billing system.

Part C: Rehabilitation of Northern Power System

1. Carrying out engineering studies for the rehabilitation of the Cambambe power plant.
2. Carrying out a rehabilitation program, including: (a) the Cambambe substation; (b) the Cambambe-Luanda transmission lines; (c) the Cazenga substation; and (d) the Viana substation.
3. Improved maintenance of the Northern power system, including the training of staff and the establishment of an improved maintenance program.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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).

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Items or groups of items for goods up to an aggregate amount equivalent to \$130,000, 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 estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$1,490,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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 Accounts, 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 or of Schedule 5 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

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account A

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2) (a) and (3) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means, with respect to any Special Account, expenditures in respect of the reasonable cost of goods and services required for Part A of 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 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 into 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 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.

SCHEDULE 5

Special Account B

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (1) (b), (2) (b), (2) (c), (3) (b) and (4) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means, with respect to any Special Account, expenditures in respect of the reasonable cost of goods and services required for Parts B and C of 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 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 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.

