

CONFORMED COPY

CREDIT NUMBER 3176-GM

Development Credit Agreement

(Poverty Alleviation and Capacity Building Project)

between

REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 1, 1999

CREDIT NUMBER 3176-GM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 1, 1999, between REPUBLIC OF THE GAMBIA (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) Parts A, B.2 and B.3 of the Project will be carried out by the Gambian Agency for the Management of Public Works (GAMWORKS) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GAMWORKS 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 Project Agreement of even date herewith between the Association and GAMWORKS;

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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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 payments 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) "Beneficiary" means either a Department of State, an LGA (as hereinafter defined), a Non-Government Organization or a Community-Based Organization which submits Subprojects (as hereinafter defined) to GAMWORKS under Part A of the Project;

(b) "Dalasi" means the currency of the Borrower;

(c) "DoS LGL" means the Borrower's Department of State for Local Government, Lands and Religious Affairs;

(d) "DoS FEA" means the Borrower's Department of State for Finance and Economic Affairs;

(e) "Framework Agreement" means the agreement, dated September 15, 1993, as amended on February 19, 1999 between the Borrower and GAMWORKS, which provides for the proceeds of the Credit to be made available by the Borrower to GAMWORKS under terms and conditions which have been approved by the Association, including the terms set forth in the Manual of Procedures (as hereinafter defined);

(f) "IEC" means information, education and communication;

(g) "LGA" means a Local Government Authority established in accordance with the Borrower's laws and which, for purposes of this Project includes, Banjul City Council, Kanifing Municipal Council and the Brikama, Kerewan, Basse, Mansakonko, Kuntaur and Janjangbureh Area Councils;

(h) "Manual of Procedures or MOP" means the GAMWORKS' Manual of Procedures approved by the Borrower and the Association as of the date of this Agreement for the purposes of the Project;

(i) "Memorandum and Articles" means the Memorandum and Articles of Association of GAMWORKS, dated September 13, 1993, as amended to the date of this Agreement;

(j) "PCO" means the Project Coordinating Officer referred to in paragraph 4 of Schedule 4 to this Agreement;

(k) "PCU" means the Project Coordinating Unit, to be established by the Borrower within DoS LGL (as hereinafter defined), to be responsible for the day-to-day implementation of the Project as referred to in paragraph 4 of Schedule 4 to this Agreement;

(l) "PIM" means the Project Implementation Manual referred to in paragraph 1 of Schedule 4 to this Agreement containing, inter alia, work plans, monitoring and performance indicators and procedures to be used for the purposes of implementation of Parts B.1 and C of the Project, as they may be amended from time to time, in consultation with the Association, and such item includes any schedules to the PIM;

(m) "PIP" means the Project Implementation Plan including the Procurement Plan referred to in paragraph 1 of Schedule 2 to the Project Agreement, containing, inter alia, work plans, monitoring and performance indicators and procedures to be used for the purposes of the implementation of Parts A, B.2 and B.3 of the Project as they may be amended from time to time, in consultation with the Association, and such item includes any schedules to the PIP;

(n) "Project Agreement" means the agreement between the Association and GAMWORKS 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 Project Agreement;

(o) "Project Coordinators" means Local Government Officers designated by each LGA to liaise with the PCO and GAMWORKS with regard to activities under the Project;

(p) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter dated July 22, 1998, from the Association and countersigned by the Borrower on August 21, 1998;

(r) "PSC" means the Project Steering Committee to be established by the Borrower, to provide oversight for the implementation of the Project as referred to in paragraph 3 of Schedule 4 to this Agreement;

(s) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement; and

(t) "Subproject" means a specific development project to be carried out by GAMWORKS for a Beneficiary under Part A of the 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 ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000).

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 may, for the purposes of the Project, open and maintain in dollars two special deposit accounts (Special Account A for Parts A, B.2 and B.3 of the Project and Special Account B for Parts B.1 and C of the Project) in its Central 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 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 2003, 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 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 each June 1, 2009, and ending December 1, 2038. Each installment to and including the installment payable on December 1, 2018, 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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: (i) shall carry out Parts B.1 and C of the Project through DoS LGL with due diligence and efficiency and in conformity with appropriate administrative, financial and public utility practices and shall provide promptly as needed the funds, facilities, services and other resources required for Parts B.1 and C of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement shall, with respect to Parts A, B.2 and B.3 of the Project, cause GAMWORKS to perform in accordance with the provisions of the Project Agreement all of the obligations of GAMWORKS therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GAMWORKS to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts B.1 and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make the proceeds of the Credit, for Parts A, B.2 and B.3 of the Project, available to GAMWORKS under the Framework Agreement.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts B.1 and C 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. 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) for Parts A, B.2 and B.3 of the Project shall be carried out by GAMWORKS pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other 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 Parts B.1 and C 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 its records, accounts and financial statements (balance sheets, statements of income and expenses and related

statements) and the records and accounts for the Special Accounts for each semester 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 two months after the end of each such semester: (A) certified copies of its financial statements for such semester 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;

(iii) consolidate the semiannual audit reports for the fiscal year and furnish to the Association as soon as available, but in any case not later than three months after the end of its fiscal year, the said consolidated audit report; and

(iv) furnish to the Association such other information concerning such records, accounts and 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:

(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 consolidated audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the consolidated audit report 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than January 1, 2001, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) GAMWORKS shall have failed to perform any of its obligations under the 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 GAMWORKS will be able to perform its obligations under the Project Agreement; or

(c) the Memorandum and Articles and the Framework Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GAMWORKS to perform any of its obligations under the Project Agreement.

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

(a) the event specified in paragraph (a) 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) the 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 Borrower has appointed the PCO, in accordance with the provisions of Schedule 4 to this Agreement;

(b) the Borrower and GAMWORKS have adopted the PIM, the revised MOP and the PIP, all in form and substance satisfactory to the Association;

(c) the Borrower has designated Project Coordinators for each LGA, with qualifications satisfactory to the Association; and (d) the Borrower and GAMWORKS have adopted Financial Management and Accounting Systems acceptable to the Association.

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 Project Agreement has been duly authorized or ratified by GAMWORKS, and is legally binding upon GAMWORKS in accordance with its terms; and

(b) that the amended Framework Agreement has been duly authorized or ratified by the Borrower and GAMWORKS and is legally binding upon the Borrower and GAMWORKS 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 Secretary of State responsible for Finance and Economic Affairs 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:

Department of State for Finance and Economic Affairs
The Quadrangle
Banjul
Republic of The Gambia

Cable address:	Telex:
MINFIN Republic of The Gambia	2264

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 (MCI) or 64145 (MCI)

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 THE GAMBIA

By /s/ Crispin Grey-Johnson

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the

proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works		100% of foreign expenditures and 80% of local expenditures
(a) Under Part A.1 of the Project	7,000,000	
(b) Under Part A.2 of the Project	280,000	
(2) Goods		100% of foreign expenditures and 80% of local expenditures
(a) Under Part B.1 of the Project	50,000	
(b) Under Parts A.2, B.2 and B.3 of the Project	600,000	
(3) Consultants' services		100%
(a) Under Part B.1 of the Project	110,000	
(b) Under Parts B.2 and B.3 of the Project	60,000	
(c) for Studies under Part C of the Project	620,000	
(4) Operating costs, including audits		
(a) for PCU	30,000	95%
(b) for GAMWORKS	670,000	85%
(5) Refunding of Project Preparation Advance	750,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	530,000	
TOTAL	10,700,000 =====	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the

Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means incremental recurring costs excluding salaries of civil servants but including staff expenses and overnight allowances, costs of operating vehicles, plant and equipment required for the Project, maintenance of Project equipment, vehicles, and office facilities and Project-related transport costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures in respect of Category (1) (b) until the Borrower has established institutional and financial arrangements, satisfactory to the Association, for carrying out Part A.2 of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure: (a) for expenditures for works under contracts costing less than \$200,000 equivalent each; (b) for expenditures for goods under contracts costing less than \$100,000 equivalent each; (c) for expenditures under contracts for consultants' services provided by firms not exceeding \$75,000 equivalent each; (d) for expenditures under contracts for consultants' services provided by individuals not exceeding \$25,000 equivalent each; and (e) for expenditures for studies, all 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 to assist the Borrower to: (i) reduce the backlog of public infrastructure and assets, and improve their maintenance; (ii) alleviate poverty through the creation of temporary jobs; and (iii) strengthen the technical and managerial capacity of LGAs, local private construction firms, local consulting firms and GAMWORKS.

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: Investments

1. Carrying out by GAMWORKS of Subprojects, for the construction and rehabilitation of infrastructure and public facilities in urban areas, submitted by Beneficiaries.
2. Establishment of a solid waste collection and disposal system for Banjul City Council, Kanifing Municipal Council and Brikama Area Council.

Part B: Capacity Building

1. Strengthening the technical and managerial capacity of the Borrower's agencies responsible for the implementation of the Project and LGAs, including:
 - (a) logistical support and acquisition of equipment for the PCU;
 - (b) provision of technical advisory services in the area of community sensitization;
 - (c) provision of technical advisory services to assist the valuation unit in the DoS LGL, in updating and completing the valuation of properties; and
 - (d) provision of training and technical advisory services to assist LGAs to:
 - (i) assess and address priority needs; (ii) ensure the maintenance of public infrastructure and improve the quality of the delivery of public services; and (iii) improve the resources of the LGAs.
2. Upgrading the skills of local contractors and consultants.
3. (a) Strengthening GAMWORKS' capacity in the areas of management information systems, oversight of design studies, and supervision of services and works undertaken

by local contractors and consultants respectively under the Project; and

- (b) support for GAMWORKS in carrying out Subproject related IEC.

Part C: Studies

1. Carrying out physical, financial and management audits of LGAs.
2. Carrying out studies on mapping, street identification, property numbering and property valuation.
3. Carrying out a study to define the institutional and financial framework for the development of a solid waste management system.
4. Carrying out a detailed engineering study for the rehabilitation of the storm water drainage/flood control and sanitation system of Banjul.
5. Carrying out a study on the feasibility of creating a municipal development fund.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Goods for Part B.1 and C of the Project shall be procured in accordance with:

- (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, subject to the modifications set forth in paragraph 2 of this Part A (the Guidelines); and

- (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 and works 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 goods shall be grouped in bid packages estimated to cost \$100,000 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. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$15,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 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

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$75,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants Least-cost Selection

Services for financial audits under Part B.1 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$75,000 or more, but less than the equivalent of \$150,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Except as the Association shall otherwise agree, the Borrower shall carry out Parts B.1 and C of the Project in accordance with the PIM and shall not amend the PIM or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

2. The Borrower shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators satisfactory to the Association, the carrying out of Parts B.1 and C of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30 in each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Parts B.1 and C of the Project during the period preceding the date of said report based on the work plan for the period under review and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by December 31 in each year, or such later date as may be acceptable to the Association, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(d) carry out, jointly with the Association and GAMWORKS, no later than

December 31, 2000, a mid-term review of the progress made in carrying out of Parts B.1 and C of the Project. The said mid-term review shall cover, among other things: (i) progress in meeting the Project's objectives; and (ii) performance by PCU and GAMWORKS of their respective obligations under the Project; and

(e) carry out the recommendations of the review referred to in subparagraph (d) of this paragraph, as agreed with the Association and set out in a time-bound action plan satisfactory to the Association.

3. The Borrower shall maintain, until completion of the Project, the PSC which shall be responsible for the overall management of the Project. The PSC shall be chaired by the Permanent Secretary of the DoS FEA and composed of representatives of the DoS LGL, Office of the President, the LGAs, the National Water and Electricity Company, the National Environment Agency, and GAMWORKS. The PSC shall meet at least every two months during the first year of Project implementation and twice a year thereafter.

4. The Borrower shall establish and maintain until completion of the Project the PCU, to be headed by the PCO, appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement.

5. The Borrower shall: (a) by September 30, 1999, complete the study under Part C.3 of the Project; and (b) promptly thereafter, adopt institutional and financial arrangements, satisfactory to the Association, for the development of a solid waste management system.

6. The Borrower shall, not later than December 31, 1999, cause each LGA to create an Operations and Maintenance fund, under terms of reference and with levels satisfactory to the Association.

7. The Borrower shall cause the LGAs to adopt, not later than June 30, 2000: (a) revenue improvement action plans to strengthen their technical and managerial capacities and improve their overall performance; and (b) priority investment programs with associated targets and related schedules.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the terms "eligible Categories" means Categories 1 (a), 1 (b), 2 (b), 3 (b) and 4 (b) with respect to Special Account A and Categories 2 (a), 3 (a), 3 (c) and 4 (a) 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 \$1,200,000 in respect of Special Account A and an amount equivalent to \$100,000 in respect of Special Account B, to be withdrawn from the Credit Account and deposited into the respective Special Account 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 \$600,000 in respect of Special Account A and an amount equivalent to \$50,000 in respect of Special Account B, until: (i) in respect of Special Account A, the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000; and (ii) in respect of Special Account B the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 200,000.

2. Payments out of the respective Special Accounts 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 respective 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 respective 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 Accounts;

(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 respective Special Account, 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 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 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 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.

