

CONFORMED COPY

CREDIT NUMBER 2203 DJI

(Second Urban Development Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 29, 1991

CREDIT NUMBER 2203 DJI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 28, 1991, between the REPUBLIC OF DJIBOUTI (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated December 2, 1990 from the Borrower describing its program of actions and its objectives and policies in the urban sector and declaring the Borrower's commitment to such program;

(C) the Borrower will carry out the Project as part of such program;

(D) the Borrower intends to contract from the French Republic, acting through its Ministry of Cooperation and Development and its Fonds d'Aide et de Cooperation, from the French Caisse

Centrale de Cooperation, from the European Economic Community acting through its Fonds Europeen de Developpement and from the OPEC Fund for International Development additional loans and grants to assist in financing the Project, on the terms and conditions set forth in agreements entered or to be entered into between the Borrower and such parties; 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 following modifications (the General Conditions), constitute an integral part of this Agreement:

(a) the last sentence of Section 3.02 is deleted; and

(b) in Section 11.01 after the word "telex", the language ", facsimile" is added.

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) "Interministerial Committee" and "Project Management Unit" mean, respectively, the committee and the unit, each as so denominated, established by the Borrower pursuant to Section 3.01 (b) of the Development Credit Agreement dated March 21, 1985 between the Borrower and the Association for the financing of the first Urban Development Project;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 21, 1989 and April 7, 1989 between the Borrower and the Association; and

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million eight hundred thousand Special Drawing Rights (SDR 7,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and 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 dollars 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 3 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 April 15 and October 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 semiannual installments payable on each April 15 and October 15, commencing April 15, 2001 and ending October 15, 2030. Each installment to and including the installment payable on October 15, 2010 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, ecological and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and the selection of consultants' and specialists' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall ensure that:

(a) its Ministry responsible for urban development provide the secretariat for the Interministerial Committee under terms and conditions agreed between the Borrower and the Association; and

(b) the Project Management Unit carry out its role of coordinating the carrying out of the Project pursuant to Arrcte No. 91-0078/PR/PPUL dated January 13, 1991.

Section 3.04. The Borrower shall take such steps as shall be necessary to ensure that its Land Office (Service des Domaines) continue to be fully funded after external financing has been exhausted and that personnel theretofore supported by such financing be continued in their positions as regular employees.

Section 3.05. The Borrower shall ensure that residents of the Old Wards and of Balbala who are displaced by the Project be given priority in the purchase of plots in the Old Wards or in Balbala.

Section 3.06. The studies comprising Part E of the Project and to be financed under the Credit shall be carried out only under terms of reference satisfactory to the Association.

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 the Project of any department or agency 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 as well as the accounts and financial statements of the Project Management Unit, the Housing Agency (Societe Immobiliere de Djibouti), the Development Bank

(Banque de Developpement de Djibouti) and the Urban Development Fund audited for each fiscal year, 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, certified copies of the reports of such audits 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 audits 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 be included in the annual audits referred to in paragraph (b) of this Section and that the reports of such audits contains separate opinions 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. The Borrower shall furnish to the Association prior to October 31 in each year a draft three-year rolling investment program for its urban sector and shall exchange views thereon with the Association prior to its incorporation into the budgetary proposals.

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) subject to sub-paragraph (iii) of this paragraph:
 - (i) 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
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof,

(iii) subparagraphs (i) and (ii) 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;

(b) a situation has arisen which shall make it improbable that the program for the Borrower's urban sector, as described in the letter cited in paragraph B of the Preamble to this Agreement, or a significant part thereof, will be carried out.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (a) (ii) of this Agreement shall occur, subject to the proviso of subparagraph (iii) thereof.

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) all conditions precedent to the first withdrawal or utilization of the loans and grants referred to in paragraph (D) of the preamble to this Agreement have been fulfilled, other than any condition related to the effectiveness of this Agreement;

(b) legal title in the name of the State covering the 3,600 plots in Balbala included in the Project has been duly recorded;

(c) all steps have been taken, including the adoption of any necessary legislation, to simplify the procedure for the issuance of building permits in the Old Wards and Balbala and especially to provide a uniform system compatible with existing construction capacities;

(d) prices for the sale of plots in the Old Wards and Balbala have been officially established at levels accepted by the Association as appropriate for optimum cost recovery;

(e) the structure of tariffs applicable to the supply of water, including the level of charges for the sale of water, has been modified pursuant to the results of the study carried out on that subject;

(f) all steps have been taken, including the enactment of any necessary legislation, to facilitate the transfer of land and the use of titles to land as security for loans for purchases and construction in urban areas; and

(g) a Director and a Deputy Director, each within qualifications and experience satisfactory to the Association have been appointed to the Project Management Unit, under terms and conditions satisfactory to the Association.

Section 6.02. The date ninety days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Article IV of this Agreement shall cease on the date on which this Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and National Economy
Boite Postale 13
Djibouti
Republic of Djibouti

Cable address:

Ministry of Finance
and National
Economy

Telex:

994 5871

Facsimile:

(253) 35-5049

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)

Facsimile:

(202) 477-6391

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 DJIBOUTI

By /s/ Roble Olhayeh
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	2,085,000	80%
(2) Vehicles, equipment	1,251,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants', specialist' services (other than for studies); training	1,876,000	90% of local expenditures for services of consultants domiciled within the territory of the Borrower and 100% of foreign expenditures for services of other consultants
(4) Studies (Part E of the Project)	764,000	100%
(5) Operating costs	139,000	70%
Category	Amount of the Loan Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Refunding of Project Preparation Advance	278,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,407,000	
TOTAL	7,800,000 =====	

2. To the extent that the amount allocated to Category (6) exceeds the amount due, the excess will be reallocated to Category (7).

3. For the purposes of this Schedule:

(a) "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) "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) "operating costs" means expenditures of the Project Management Unit and of the Land Office for salaries and allowances

of support staff, office supplies, operation and maintenance of vehicles and utilities.

4. 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 to assist the Borrower in carrying out its strategy for urban development through the strengthening of policy-making, planning and management in the urban sector, promoting efficient municipal management, increasing the absorptive capacity of institutions, improving the land tenure system, developing cost recovery mechanisms and exploring the feasibility of decentralization in the 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: The Old Wards

1. Rehabilitation of streets, construction of drainage and sewerage facilities and improvements in water distribution networks, in Wards 1 and 2;1/
2. rehabilitation and construction of streets and drainage networks and expansion of the water and electricity supply and of the street lighting systems in Ward 7;1/
3. improvement of the primary drainage system and construction of new off-site storm water collectors in Wards 1 to 6; and
4. preparation of final designs for works on infrastructure in Wards 7 bis, Djebel and Ambouli.

Part B: Balbala

1. Development of sites with services on about 3,600 plots from 105 to 160 square meters, including roads, water, drainage, electricity, public lighting and two public markets;1/
2. delineating and clearing of rights of way for roads in future extensions;1/
3. construction of roads and drainage systems in the old center; and
4. installation of directional and street name signs.1/

Part C: Salines Ouest

Development of sites with services on about 230 plots, including general filling of the area, construction of roads and drainage facilities, provision of water supply and of waste water systems and of electricity and public lighting, jointly with the Djibouti Housing Agency (Societe Immobiliere de Djibouti), which will furnish the land and bear the costs of the on-site infrastructure.1/

Part D: Institutional Development

1. Ministry of Public Works, Urban Development and Housing - Procurement of vehicles, equipment and supplies for data processing and radio communication and operating and maintenance equipment for sanitation activities; restoration of pumping stations and construction of two watchmen's posts; employment of consultants and specialists, including those for training, to strengthen the capacity of the Ministry in sanitation operations, urban planning,

site development and the development of its Public Investment Program; training on-site and abroad for the staff of the Sanitation Subdivision and provision of fellowships for training future management personnel. (Two engineers, one architect, training abroad, data-processing equipment and fellowships, are not to be financed out of the Credit.)

2. Land Office (Service des Domaines) - Strengthening of the capabilities of the Office through the employment of additional staff, training, including fellowships abroad for section chiefs, the expansion of office space and the procurement of vehicles and equipment.

3. Housing Agency (Societe Immobilicre de Djibouti) - Strengthening of the agency through the employment of specialists in the administrative, technical and financial fields; provision of fellowships for training abroad of higher-level staff. (The technical specialist is not to be financed out of the Credit.)

4. District of Djibouti - Completion of technical depots 2, 3 and 4, including the construction of office space for the workshops, parking space, a truck shed and the installation of utility hookups; strengthening of domestic solid waste disposal services and extension of such services to Balbala through the improvement of the disposal site and the purchase of equipment; strengthening of the technical and administrative capacities in urban management through the purchase of vehicles and data-processing equipment, the employment of financial, technical and administrative specialists; training of staff, including visits abroad and the granting of fellowships.2/

5. Development Bank (Banque de Developpement de Djibouti) - Strengthening of the Bank through the employment of an administrative and financial director for the Department of Housing Credits; training of management personnel locally and abroad.

6. Assistance to the Construction Industry - Employment of five technicians furnished by the French Association of Volunteers for Progress to assist individual construction contractors, artisans and small-scale construction firms.1/

Part E: Studies

Carrying out studies on:

1. the feasibility of the decentralization of municipal services in the District of Djibouti;
2. savings and savings ability and behavior of households with respect to housing;
3. development needs of secondary towns and the updating of the Djibouti Urban Development Scheme;
4. the establishment and implementation of a housing financing system; and
5. such other matters in the sector as may be agreed between the Borrower and the Association.

* * * * *

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

SCHEDULE 3

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 the amount of \$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 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods or works capable of being furnished by a single supplier shall be grouped into bid packages large enough to attract the greatest number of bidders.

Part B: Preference for Domestic Contractors

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

Part C: Other Procurement Procedures

1. Contracts for works in the old center of Balbala, off-site infrastructure in Salines Ouest, improvement of technical depots, rehabilitation of pumping stations and construction of office space for the Land Office, as well as for the purchase of light vehicles and office equipment, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with paragraph 3.3 of the Guidelines.

2. Contracts for the purchase of office equipment, furnishings and supplies valued at less than the equivalent of \$10,000 may be procured on the basis of shopping as described in paragraph 3.4 of the Guidelines.

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 for works to be procured under Part C.1 above estimated to cost the equivalent of \$100,000 or more, as well as any other contract for the purchase of vehicles or equipment estimated to cost the equivalent of \$50,000 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 1(a), 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 3 to this Agreement.

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

(d) The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants and Specialists

In order to assist the Borrower in carrying out the Project, the Borrower shall employ such consultants and specialists as shall be agreed between the Borrower and the Associations; the qualifications, experience and terms and conditions of employment of such consultants and specialists shall be satisfactory to the Association, and they 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.