

CONFORMED COPY

CREDIT NUMBER 2454 MOZ

Development Credit Agreement

(Maputo Corridor Revitalization Technical Assistance Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 1993

CREDIT NUMBER 2454 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 12, 1993, between REPUBLIC OF MOZAMBIQUE (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;

WHEREAS (B) the Association has received a Letter of Policy dated November 30, 1992 for CFM,E.E. (the Letter of Policy) indicating the Borrower's commitment to an action plan and a policy program to take appropriate steps aimed at the commercialization and institutional reorganization of CFM,E.E., including the creation of a sound operating framework for the involvement of the private sector;

WHEREAS (C) the Borrower intends to contract from Overseas Development Agency (ODA) a grant (the ODA Grant) in an amount equivalent to \$100,000 (one hundred thousand dollars) to assist in financing the Project on the terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA;

WHEREAS (D) the Borrower intends to contract from United States Agency for International Development (USAID) a grant (the USAID Grant) in an amount equivalent to \$600,000 (six hundred thousand dollars) to assist in financing the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) to be entered into between the Borrower and USAID; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CFM,E.E." means Empresa Nacional de Portos e Caminhos de Ferro de Mocambique,E.E., the state-owned enterprise of the Borrower responsible for ports and railways, established and operating pursuant to its Statutes approved by Decree No. 6/89 dated May 11, 1989, issued by the Council of Ministers of the Borrower. All references to CFM,E.E. included in this Agreement shall be deemed to refer to CFM,E.E.'s legal successor to be established by the Borrower pursuant to Law No. 17/91 dated August 3, 1991;

(b) "CFM (S)" means CFM Sul, the southern operating division of CFM,E.E.;

(c) "MTC" means the Borrower's Ministry of Transport and Communications;

(d) "Maputo Corridor" means the port and railways facilities currently operated by CFM (S);

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

(f) "Subsidiary Loan Agreement" means the agreement to be entered into between the Ministry of Finance of the Borrower and CFM,E.E. pursuant to Section 3.01 (b) (i) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(g) "Administration Agreement" means the agreement to be entered into between the Ministry of Finance of the Borrower and CFM,E.E. pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Administration Agreement;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a Letter of Agreement dated November 30, 1992 and countersigned by the Borrower on December 7, 1992; and

(i) "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 six million six hundred thousand Special Drawing Rights (SDR 6,600,000).

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 a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 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 canceled; 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 January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2003 and ending January 1, 2033. Each installment to and including the installment payable on January 1, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the 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, shall cause CFM,E.E. to carry out the Project with due diligence and efficiency and in conformity with appropriate financial, engineering and technical practices; shall take or cause to be taken all such action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CFM,E.E. to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out the Project by CFM,E.E..

(b) The Borrower shall, out of the proceeds of the Credit:

(i) relend to CFM,E.E. an amount equivalent to one million sixty thousand Special Drawing Rights (SDR 1,060,000) under a subsidiary loan agreement to be entered into between the Borrower and CFM,E.E., under terms and conditions which shall have been approved by the Association and which shall include, inter alia, the following provisions: (A) a fixed rate of interest of 9% (nine percent); (B) a term of 15 (fifteen) years including a 5 (five) years' grace period and; (C) the foreign exchange risk to be borne by CFM,E.E.; and

(ii) transfer to CFM,E.E., an amount equivalent to five million five hundred and forty thousand Special Drawing Rights (SDR 5,540,000) under an Administration Agreement to be entered into between the Borrower and CFM,E.E., under terms and conditions which shall have been approved by the Association and which shall include, inter alia, the legal and financial terms of the Borrower's equity participation in CFM,E.E.;

(c) The Borrower shall exercise its rights under the

Subsidiary Loan Agreement and the Administration Agreement, respectively, 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 Subsidiary Loan Agreement or the Administration Agreement, respectively, or any provision thereof.

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

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by CFM,E.E..

Section 3.04. The Borrower shall cause CFM,E.E. to submit to the Association, for its review and comments throughout Project implementation:

- (a) on a quarterly basis, a summary of administrative, financial and technical measures taken by CFM,E.E., from FY 1992, to remove any impediments to carry out its action plan to achieve the projections of CFM,E.E.'s operating performance and maintenance activity in its container terminals financed under the Project;
- (b) on a semiannual basis, a multi-year investment plan for the Maputo Corridor as follows:
 - (i) by not later than September 15, a draft version of said plan;
 - (ii) by not later than October 15, the draft plan shall be jointly reviewed with the Association and other donor agencies active on the Maputo Corridor;
 - (iii) by not later than November 1, the final version of the plan, taking into account the recommendations of said review; and
 - (iv) by not later than April 15, a progress report detailing measures taken to implement the multi-year investment plan.
- (c) on an annual basis, but not later than six months after the end of CFM,E.E.'s fiscal year, an audit report carried out by independent auditors acceptable to the Association, on CFM,E.E.'s consolidated annual accounts, including those of CFM(S).

Section 3.05. The Borrower shall, through MTC, during Project implementation, prepare and submit to the Association quarterly progress reports including, inter alia, progress in the procurement of goods and the performance of consultants' services financed under the Project in accordance with the provisions of Schedule 3 to this Agreement.

Section 3.06. (a) The Borrower shall carry out and shall cause CFM,E.E. to carry out, jointly with the Association, not later than ten months after the Effective Date, a mid-term review of the progress made in carrying out the Project.

(b) The review shall cover, inter alia, the following: (i) implementation of measures designed to strengthen the financial reporting, monitoring, accounting and auditing capabilities of CFM,E.E.; (ii) recommendations arising out of the completion of the

studies described under Part A.1 of the Project; (iii) exchange of information among staff responsible for Project implementation and coordination; (iv) identification of implementation issues and proposed solutions; (v) discussion and coordination of all other related technical assistance financed by other donor agencies and cofinanciers; (vi) discussion and agreement on an action plan and timetable to revitalize CFM(S); and (vii) progress in the implementation of CFM,E.E.'s multi-year investment plan referred to under Section 3.04 (b) of this Agreement.

(c) Not later than one month prior to such mid-term review, the Borrower shall, through MTC, and jointly with CFM,E.E., furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including an evaluation of the following: (i) progress achieved in complying with Project implementation pursuant to the terms of this Agreement, detailing any privatization transaction completed; and (ii) findings and recommendations resulting from the studies, described under Part A.1 of the Project, specifying the bases for the decision taken by the Borrower on a global strategy for the revitalization of CFM(S).

(d) Promptly after completing such mid-term review, the Borrower and CFM,E.E. shall carry out those recommendations arising out of said review, as agreed among the Borrower, CFM,E.E. and the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall and shall cause CFM,E.E. to:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall and shall cause CFM,E.E. to:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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 nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statement 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; and

(iii) furnish to the Association such other information concerning said records and 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 and shall cause CFM,E.E. to:

(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) that an extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to carry out the action plan policies described in the Letter of Policy;

(b) the Borrower or CFM,E.E. shall have failed to perform any of their respective obligations under this Agreement;

(c) 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 the Borrower or CFM,E.E. will be able to perform their respective obligations under this Agreement;

(d) the Borrower or CFM,E.E. shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement;

(e) the Borrower or CFM,E.E. shall have failed to perform any of their respective obligations under the Administration Agreement;

(f) Decree No. 6/89 dated May 11, 1989, as amended in accordance with the provisions of Law No. 17/91 of August 3, 1991, or any other legislation governing the operations of CFM,E.E. shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CFM,E.E. to perform any of its obligations under this Agreement; and

(g) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CFM,E.E. or for the suspension of its operations or any

substantial portion thereof.

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

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

(b) any event specified in paragraphs (a), (c), (d) or (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and CFM,E.E.;

(b) that the Administration Agreement has been executed on behalf of the Borrower and CFM,E.E.; and

(c) that the Borrower has submitted to the Association satisfactory reports issued by independent auditors on the financial performance of CFM,E.E. for its fiscal years 1989, 1990 and 1991.

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 this Agreement has been duly ratified by the Borrower's Council of Ministers and is legally binding upon the Borrower, in accordance with its terms;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and CFM,E.E. and is legally binding upon the Borrower and CFM,E.E. in accordance with its terms; and

(c) that the Administration Agreement has been duly authorized or ratified by the Borrower and CFM,E.E. and is legally binding upon the Borrower and CFM,E.E. in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Praça da Marinha Popular
P.O. Box 272
Maputo

Telex:

6632

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

REPUBLIC OF MOZAMBIQUE

By /s/ Hipolito Zozimo Patricio
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) Consultants' services under:		95%
(a) Part A.1 of the Project;	3,260,000	
(b) Part A.2 of the Project;	210,000	
(c) Part A.3 of the Project; and	1,060,000	
(d) Part B of the Project	500,000	
(2) Equipment	990,000	100%

(3)	Refunding of Project Preparation Advance	210,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(4)	Unallocated	370,000	
	TOTAL	6,600,000 =====	

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; and

(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.

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;

(b) Category (1)(c) unless the Association has received a satisfactory global strategy approved by the Borrower to restructure CFM(S), designed on the basis of the recommendations arising out of the studies referred to under Part A.1 of the Project; and

(c) Category (2) unless the Association has received from CFM,E.E. a satisfactory report containing the economic and financial justifications for prioritized equipment items to be financed under the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen CFM,E.E.'s investment, financial, legal, technical and managerial capabilities necessary to: (a) revitalize the Maputo Corridor; (b) attract foreign investment; and (c) encourage private sector participation.

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: Investment Advisory Services

1. Carrying out investigative and analytical studies of CFM(S) to:

(a) evaluate past performance, resources and means to improve said performance;

(b) identify market forces influencing trends and the routing of trade flows;

(c) define market prospects and structure through a detailed survey identifying any regulatory obstacles;

(d) evaluate commercial strategies identifying short-, medium- and long-term action plans and investment requirements;

(e) evaluate managerial and technical capabilities, indicating staffing requirements and costs;

(f) evaluate financial performance potential, identifying possible options for organizational structures; and

(g) evaluate feasible privatization options.

2. Provision of financial advisory services to the Borrower and CFM,E.E. to assist in the structuring and negotiation of transactions for the involvement of the private sector in the provision of services on the Maputo Corridor.

3. Provision of investment advisory and investment promotion services subsequent to the completion of Part A.1 above to assist the Borrower and CFM,E.E. with the following:

(a) design of options for the involvement of the private sector in provision of services in the Maputo Corridor;

(b) preparation of investment solicitation documentation, including, inter alia, the specification of the obligations of CFM,E.E., CFM(S) and the Borrower; and

(c) promotion and negotiation of the selected privatization option.

Part B: Legal Advisory Services

1. Strengthening of the Borrower's legal capabilities to review, streamline and update the legal and regulatory framework governing: (a) concessions of public services; (b) labor redeployment; and (c) commercial and administrative legal issues raised by the selected option to involve the private sector in the provision of services on the Maputo Corridor.

2. Provision of legal advisory services to assist in the negotiation of new privatization transactions.

Part C: Environmental Analysis Services

Carrying out a study to:

(a) review existing standards of occupational health and safety and pollution abatement governing port and railways operations;

(b) assess safety of operating and maintenance facilities;

(c) recommend standards for environmental protection in the ports and on the railways;

(d) assess need for changes to present operating and safety procedures;

(e) assess investment requirements to comply with minimum standards of safety and environmental protection;

(f) assess environmental issues related to future maintenance dredging and quay expansion; and

(g) assess and recommend burden-sharing and liability responsibilities.

Part D: Labor Redeployment Program

Design and implementation of a retrenchment and redeployment program for CFM,E.E..

Part E: Provision of Equipment

1. Acquisition of key port handling equipment for the Port of Maputo.

2. Upgrading the communications' capabilities of CFM(S) through

the acquisition of inter alia facsimile receivers, microcomputers, and related software.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

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

Items or groups of items for goods estimated to cost the equivalent to \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000, 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 Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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

2. The figure of 10% 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 and CFM,E.E. in carrying out the Project, the Borrower and CFM,E.E. 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

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$400,000 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.

