

CONFORMED COPY

CREDIT NUMBER 3257 BOS

Project Agreement

(Enterprise Export Facility Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INVESTMENT GUARANTEE AGENCY

Dated as of July 5, 1999

CREDIT NUMBER 3257 BOS

PROJECT AGREEMENT

AGREEMENT, dated as of July 5, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and INVESTMENT GUARANTEE AGENCY (IGA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Bosnia and Herzegovina (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that IGA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by an Agency and Funding Agreement to be entered into between the Borrower and IGA, the proceeds of the credit provided for under the Development Credit Agreement will be made available to IGA, on the terms and conditions set forth in said Agency and Funding Agreement;

(C) by Participation Agreements to be entered into between IGA, on behalf of the Borrower, and the Participating Financial Institutions, a portion of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to the Participating Financial Institutions on the terms and conditions set forth in said Participation Agreements; and

WHEREAS IGA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Management Report" means each report prepared in accordance with Section 3.02 of this Agreement.

(b) "Revolving Project Account" means the account referred to in Section 2.04 of this Agreement.

## ARTICLE II

### Execution of the Project; Management and Operations of IGA

Section 2.01. (a) IGA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project and conduct its operations and affairs in accordance with sound financial and export standards and practices, with qualified and experienced management and personnel, and in accordance with the Operations Manual.

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

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and IGA shall otherwise agree, IGA shall carry out Part B of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts A 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 2.03. IGA shall select enterprises engaged in the business of exports, in consultation with the Association, for the provision of assistance under the Project, based on criteria specified in the Operations Manual.

Section 2.04. IGA shall open and maintain in Euros an account in a bank, acceptable to the Association, wherein it shall deposit the repaid amounts of the Participation Loans/Subloans and the amounts released from the Performance Bond Securities and utilize the same, on a revolving basis, for activities under the Export Financing Facility and/or the Performance Bond Support Facility. Payments out of the Revolving Project Account shall be made for the purposes of the Project and on terms and conditions specified in the Operations Manual.

Section 2.05. (a) IGA shall carry out 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) in respect of the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, IGA shall: (i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and IGA, a plan designed to ensure the continued achievement of the Project's objectives; and (ii) afford the Association a reasonable opportunity to exchange views with IGA on said plan.

Section 2.06. (a) IGA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) IGA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by IGA of its

obligations under this Agreement and under any other agreements related to the Credit.

Section 2.07. IGA shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out 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 March 30, 2002, 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 the Project during the period preceding the date of said report 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; and

(c) review with the Association, by June 30, 2002, or such later date as the Association shall request, 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 views on the matter.

### ARTICLE III

#### Financial Covenants

Section 3.01. (a) IGA shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) IGA shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Escrow Account and the Revolving Project Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 Project Management Reports or statements of expenditure, IGA 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 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 Project Management Reports or 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 3.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, IGA 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 IGA, not later than December 31, 2000 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, IGA shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than forty-five (45) days after the end of each six (6) calendar months a Project Management Report for such period.

Section 3.03. IGA shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies (including the currency of the Borrower) used in its operations.

#### ARTICLE IV

##### Effective Date; Termination Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of IGA thereunder shall terminate on the earlier of the following two dates: (i) the date on which the Development Credit Agreement shall terminate; or (ii) a date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify IGA of this event. Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE V

##### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such

party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (MCI) or  
64145 (MCI)

For IGA:

Investment Guarantee Agency  
No. 1 Fra Andjela Zvizdovica St.  
71000 Sarajevo  
Bosnia and Herzegovina

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of IGA or by IGA on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its General Director, or by such other person or persons as IGA shall designate in writing, and IGA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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 City of Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rory O'Sullivan

Authorized Representative

INVESTMENT GUARANTEE AGENCY

By /s/ Lamjia Kozaric

Authorized Representative

#### SCHEDULE 1

##### Implementation Program for the Export Financing Facility

###### A. Selection of Participating Financial Institutions

1. IGA shall select financial institutions, in consultation with the Association, for participation under Part A of the Project, based on criteria specified in the Operations Manual.

###### B. Participation Agreements and Participation Loans

1. IGA shall make available a portion of the proceeds of the Credit to Participating Financial Institutions, for further on lending to Exporting Enterprises for Export Projects, under separate agreements to be entered into between IGA, on behalf of the Borrower, and each of the Participating Financial Institutions under the terms and conditions which shall have been approved by the Association, including the

following:

(a) The term of the Participation Loans shall be up to one year;

(b) the Participating Financial Institutions shall be required to pay interest not less than one half of one percent above LIBOR for the period corresponding to the term of their respective Participation Loan;

(c) the Participating Financial Institutions shall make payment of interest and other charges and repayment of principal in foreign currency; and

(d) the Participating Financial Institutions shall make repayment in one or more installments no later than the date of scheduled receipt of export proceeds from the Export Project.

2. IGA shall exercise its rights under the Participation Agreements 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, IGA shall, not assign, amend, abrogate or waive any Participation Agreement or any provision thereof.

3. IGA may, in the normal course of its business, indemnify any Participating Financial Institution against default by the concerned Exporting Enterprise of any payment under the Subloan for an amount not exceeding such part of the Credit as is contained in the Subloan unless: (a) there is a breach by the Participating Financial Institution of a term of the Participation Agreement relating to the Subloan; (b) any term of the Subloan or any security provided by the Exporting Enterprise under the Subloan is not enforceable due to negligence on the part of the Participating Financial Institution; and (c) the Participating Financial Institution has knowingly made a material misrepresentation regarding the financial condition and circumstances of the Exporting Enterprise or the Subloan Agreement.

#### C. Subloan Agreements and Subloans

1. IGA shall cause the Participating Financial Institutions to make available the proceeds of the Participation Loans to Exporting Enterprises for Export Projects, under separate Subloan Agreements to be entered into between each Participating Financial Institution and Exporting Enterprise, in accordance with procedures and on the terms and conditions, specified in the Operations Manual, including those outlined in Section D of this Schedule.

2. IGA shall:

(a) cause the Participating Financial Institutions to exercise their rights under the respective Subloan Agreements in such manner as to protect the interests of the Borrower, the Association, and IGA and to accomplish the purposes of the Credit; and

(b) ensure that the Participating Financial Institutions do not assign, amend, abrogate or waive any Subloan Agreement or any provision thereof.

#### D. Procedures for and Terms and Conditions of Subloans

1. (a) The Participating Financial Institutions shall make available Participation Loans to Exporting Enterprises, provided that IGA shall not permit a Participating Financial Institution to include in a Subloan or Subloans to any one Exporting Enterprise more than 10% of the portions of the Credit and any other funding available for Participation Loans;

(b) the term of the Subloans shall be up to one year;

(c) the Exporting Enterprises shall make payment of interest and other charges and repayment of principal in foreign currency; and

(d) the Exporting Enterprises shall make repayment in one or more installments no later than the date of scheduled receipt of export proceeds from the Export Project.

2. No expenditures for goods or Working Capital required for an Export Project shall be eligible for financing out of the proceeds of the Credit unless the Subloan for such Export Project shall have been approved by the Association and such expenditures shall have been made not earlier than ninety (90) days prior to the date

on which the Association shall have received the application and information required under paragraph 3 (a) of this Section in respect of such Subloan.

3. When presenting a Subloan to the Association for approval, a Participating Financial Institution shall, through IGA, furnish to the Association an application, in form satisfactory to the Association, together with: (i) a description of the Exporting Enterprise and an appraisal of the Export Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Subloan, including the schedule of amortization of the Subloan; and (iii) such other information as the Association shall reasonably request.

4. Subloans shall be made on terms whereby each Participating Financial Institution shall obtain, by written contract with the concerned Exporting Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Borrower, the Association and IGA, including, in the case of any Subloan, the right to:

(a) require the Exporting Enterprise to carry out and operate the Export Project with due diligence and efficiency and in accordance with sound technical, financial, managerial, export and environmental standards and practices, and to maintain adequate records;

(b) require that: (i) the goods, consultants' services and Working Capital to be financed out of the proceeds of the Credit shall be procured as follows: (A) Except as provided in sub-paragraph (i)(B) hereof, goods costing more than \$500,000 shall be procured in accordance with the provisions of Schedule 3 to this Agreement; and (B) goods and services, estimated to cost up to an aggregate amount of \$500,000 equivalent or less, may be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of consultants' services, of their quality and the competence of the parties rendering them; and (ii) such goods, services and Working Capital shall be used exclusively in the carrying out of the Export Project;

(c) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods, works, plants and construction included in the Export Project, the operation thereof, and any relevant records and documents;

(d) require that the Exporting Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice;

(e) obtain all such information as the Association or IGA shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Exporting Enterprise and to the benefits to be derived from the Export Project; and

(f) suspend or terminate the right of the Exporting Enterprise to the use of the proceeds of the Credit upon failure by such Exporting Enterprise to perform its obligations under its contract with the concerned Participating Financial Institution.

## SCHEDULE 2

### Implementation Program for the Performance Bond Support Facility

#### A. Performance Bonds and Recourse Agreement

1. IGA shall assist Exporting Enterprises to obtain performance bonds (being an undertaking by a financial institution (Bondgiver) provided to a person (Buyer) who has entered into a contract (Export Contract) with an Exporting Enterprise either to procure goods and/or services from the Exporting Enterprise or to bid for a contract to sell goods and/or services to a Buyer, under which the Bondgiver agrees to pay an amount to the Buyer either upon demand or upon failure of the Exporting Enterprise to fulfill a condition of the Export Contract) from quality offshore financial institutions, through the provision of security or securities (Security or Securities) covered by the Secured Amount to: (a) a financial institution providing a Performance Bond; or (b) a commercial insurance company or companies providing insurance or guarantees to a financial institution providing a Performance Bond.

2. IGA shall: (a) on the first day following each six-month period after the Effective Date, furnish to the Association a report, in such detail as the Association shall request, on the Performance Bonds and Securities issued and, if applicable, the

payments made thereunder during such period; and (b) not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association, the Borrower and IGA, prepare and furnish to the Association a report, of such scope and detail as the Association shall reasonably request, on the execution Performance Bond Support Facility, its cost and the benefits derived from it, the performance by the Association, the Borrower and IGA of their respective obligations under the Development Credit Agreement and the Project Agreement, respectively, and the accomplishment of the purposes of the Credit.

3. The Performance Bond Support shall be provided, in consultation with the Association, in accordance with the procedures and on the terms and conditions specified in the Operations Manual, which shall include the following: The execution and delivery of a recourse agreement between IGA and the Exporting Enterprise for securing the obligation of an Exporting Enterprise to pay the amount of a call made under a Performance Bond through an undertaking by the Exporting Enterprise to: (a) reimburse: (i) a Bondgiver; (ii) any person insuring, guaranteeing or providing security to a Bondgiver; or (iii) any person insuring, guaranteeing or providing security to a person insuring or guaranteeing a Bondgiver, for any sums paid by the Bondgiver under a Performance Bond; (b) replenish the Escrow Account for any sums paid out of the Secured Amount; and (c) provide such security over its assets as IGA may from time to time consider appropriate to secure payment under the Recourse Agreement.

4. IGA shall:

(a) review applications for Performance Bonds/Securities to verify that each Export Contract proposed to be covered by the Secured Amount excludes:

(i) expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower and IGA:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; elements (cartridges), non-irradiated, nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

fuel  
for

(ii) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(iii) expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the



Borrower is a party);

(iv) expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(v) expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

(b) unless the Association directs otherwise by notice to the Borrower and IGA, submit to the Association for prior review and approval each application approved by IGA for a proposed Export Contract/Performance Bond together with IGA's evaluation of such application;

(c) issue Security, upon receipt of no objection from the Association;

(d) notify the Association with respect to each Security issued or cancelled; and

(e) maintain copies of, and retain for at least one year after the Closing Date, all Securities issued and all records relating to each such Securities.

#### B. Escrow Account

1. IGA shall, for the purposes of Part B of the Project, open and maintain in Euros an escrow account in a bank, acceptable to the Association, on the terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Escrow Account shall be made in accordance with procedures specified in the Operations Manual, which shall include the provisions outlined in Section B of this Schedule.

2. The Escrow Account shall be in the form of an interest bearing account for the purposes of the Project.

3. The Secured Amounts shall be used exclusively to make payments due in respect of any call(s) made under a Performance Bond.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods 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 (the Guidelines); and (b) the following provisions of Section I of this Schedule.

###### Part B: International Competitive Bidding

Goods for Part A of the Project, estimated to cost more than \$500,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

###### Part C: Other Procurement Procedures

###### 1. International Shopping

Except as provided in paragraph 2 hereof, goods under Part C of the Project shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the

Guidelines.

2. Goods under Part C of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$70,000 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 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: (a) all contracts to be awarded on the basis of international competitive bidding; and (b) the first two contracts and any contract estimated to cost the equivalent of \$50,000 or more to be awarded on the basis of international or national shopping, the following procedures shall apply: (i) prior to the selection of any supplier under shopping procedures, IGA shall provide to the Association a report on the comparison and evaluation of quotations received; (ii) prior to the execution of any contract procured under shopping procedures, IGA shall provide to the Association a copy of the specifications and the draft contract; and (iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Consultants' services shall be procured in accordance with 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Procedures for the Selection of Consultants

1. Least-cost Selection

Services for auditing under Part C of the Project, estimated to cost up to an aggregate amount not to exceed \$20,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for financial management, accounting and environment under Part C of the Project, estimated up to an aggregate not to exceed \$155,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for marketing, credit assessment and export procedures and legal services under Part C of the Project, estimated to cost up to an aggregate not to exceed \$400,000, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: 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 \$50,000 or more, the procedures set forth in paragraphs 1, 2 (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 individual consultants estimated to cost the equivalent of \$30,000 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.

