

CONFORMED COPY

CREDIT NUMBER 2610 ALB

Development Credit Agreement
(Durrës Water Supply Rehabilitation Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 14, 1994

CREDIT NUMBER 2610 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 14, 1994, between ALBANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) Parts A, B, C, and E of the Project will be carried out by Durrës District Water Works (DDWW) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to DDWW a portion of the proceeds of the Credit as provided in this Agreement; and

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

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) "DDWW" means Durres District Water Works of the Borrower, established as a state enterprise with juridical personality pursuant to Durres District Tribunal Decree No. 51 dated March 15, 1993;

(b) "DCSW" means Durres City Sewerage Works of the Borrower, within the Durres Municipality;

(c) "SSW" means Shijak Sewerage Works of the Borrower, within the Shijak Municipality;

(d) "DDSW" means Durres District Sewerage Works of the Borrower, an entity to be established as referred to in Section 3.03 (a) of this Agreement;

(e) "DDWW Action Plan" means the action plan dated December 3, 1993, agreed upon by DDWW and the Borrower setting forth a series of actions for the restructuring and strengthening of DDWW;

(f) "DDSW Action Plan" means an action plan dated December 3, 1993, agreed upon by SSW, DCSW and the Borrower setting forth a series of actions for the restructuring and strengthening of DDSW;

(g) "Decree No. 51" means the Borrower's Durres District Tribunal Decree No. 51, dated March 15, 1993, on the registration of DDWW as a state enterprise for the supply of water;

(h) "Fiscal Year" means the fiscal year of the Borrower which commences on January 1 in each calendar year;

(i) "Leks" means the unit of currency of the Borrower;

(j) "MOC" means the Borrower's Ministry of Construction, Housing and Territory Adjustment;

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

(l) "Project Area" means Borrower's Durres District;

(m) "PIU" means the Project Implementation Unit within DDWW;

(n) "Project Implementation Manual" means the manual to be prepared by the PIU that outlines the procedures to monitor the implementation of the project;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchange of letters dated August 25, 1992 (P749-0 ALB), and June 11, 1993 (P749-1 ALB), between the Borrower and the Association, as amended to the date of this Agreement;

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

(q) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DDWW pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan 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 eight million four hundred thousand Special Drawing Rights (SDR 8,400,000).

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 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 2001 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 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 August 1 and February 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 August 1 and February 1 commencing August 1, 2004, and ending February 1, 2034. Each installment to and including the installment payable on February 1, 2014 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. DDWW is designated as representative of the Borrower in respect of Parts A, B, C, and E of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall initially carry out Parts D and F of the Project through DCSW and SSW and, upon its establishment according to Section 3.03 (a) below, through DDSW, all with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts D and F of the Project;
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause DDWW to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable DDWW to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and
- (iii) without any limitation or restriction upon the provisions of Section 3.01 (a) (ii) above, the Borrower shall make available a loan to DDWW for the purpose of carrying out of Parts A, B, C and E of the Project, in a principal amount of \$4,000,000 on the same terms and conditions as specified in sub-paragraphs (i) through (iii) of Section 3.01 (b) hereafter.

(b) The Borrower shall relend the proceeds of the Credit allocated for the purpose of carrying out Parts A, B, C and E to DDWW under a subsidiary loan agreement to be entered into between the Borrower and DDWW, under terms and conditions which shall have been approved by the Association which shall include the following:

- (i) that the subsidiary loan shall be denominated in dollars and repaid in Leks at the official rate of exchange as determined by the National Bank of Albania as of the date each payment is made;
- (ii) that DDWW shall pay 7% interest on the outstanding balance of the subsidiary loan;
- (iii) that the proceeds of the subsidiary loan shall be repaid over a period not to exceed 25 years, including therein a grace period of 6 years; and
- (iv) that the Borrower shall reimburse DDWW, in the form of an equity contribution, custom duties and other taxes incurred by DDWW in respect of goods financed under the Credit.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the

Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works 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 shall:

(a) not later than December 31, 1994, merge DCSW and SSW and establish DDSW as a new state enterprise to provide sewerage services to the Durres District;

(b) prepare and furnish to the Association semi-annual reports on the progress in the implementation of the DDSW Action Plan; and

(c) starting not later than June 30, 1994, exempt DDWW from any restrictions on its tariffs that shall prevent its total revenues from covering its operating costs, debt service and its contribution to the cost of the Project.

Section 3.04. 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) in respect of Parts A, B, C, and E of the Project shall be carried out by DDWW pursuant to Section 2.03 of the Project Agreement.

Section 3.05. The Borrower shall take and cause SSW and DCSW to take all necessary actions as shall be consistent to implement the DDSW Action Plan.

ARTICLE IV

Financial Covenants and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts D and F of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Not later than June 30, 1994, the Borrower shall make adequate arrangements for DDWW to receive, annually funds equal to DDWW's marginal cost in respect of the water provided to the Kavaja District Water Works.

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) DDWW shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that DDWW will be able to perform its obligations under the Project Agreement.

(c) Decree No. 51 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of DDWW to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of DDWW or for the suspension of its operations.

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

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

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

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and DDWW;

(b) two engineers, one financial manager, three field engineers and one staff assistant have been appointed to the PIU with experience and qualifications acceptable to the Association;

(c) Project Implementation Manual has been prepared by DDWW in form and substance acceptable to the Association;

(d) consultants have been selected in conformity with the provisions of Section II of Schedule 3 to this Agreement to assist in the implementation of the DDWW Action Plan and the DDSW Action Plan; and

(e) the project accounts have been established.

Section 6.02. The following are specified as additional matters, within the

meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by DDWW, and is legally binding upon DDWW in accordance with its terms;

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

(c) that DDWW has been duly established as a state enterprise according to the laws and regulations of the Borrower.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Ministry 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
Bulevardi "Deshmoret e Kombit"
Tirana, Albania

Telex:

4295 Komplan AB

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.

ALBANIA

By /s/ Piro Dishnica

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kemal Dervis

Regional Vice President
Europe and Central Asia

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) Works for Parts A, C and E of the Project	580,000	60%
(2) Works for Part B of the Project:		
(a) for expenditures up to SDR 1,450,000	1,450,000	100%
(b) for expenditures exceeding SDR 1,450,000	360,000	60%
(3) Works for Parts D and F of the Project	360,000	60%
(4) Goods for Parts A, B, C and E of the Project	3,180,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 85% of local expenditures (off-the-shelf)
(5) Goods for Parts D and F of the Project	220,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 85% of local expenditures (off-the-shelf)
(6) Consultants' services, training and project related foreign travel for Parts A, B, C and E of the Project	720,000	100%
(7) Consultants' services, training and project related foreign travel for Parts D and F of the Project	70,000	100%

(8) Refunding of Project Preparation Advance	1,100,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	360,000	
TOTAL	8,400,000	

2. For the purposes of this Schedule:

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

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

(c) 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.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (i) works not exceeding \$200,000 equivalent; and (ii) goods not exceeding \$100,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to reduce water shortages and associated health risks and to establish a strong local institutional framework for the provision of water supply and sewerage services in the Project Area.

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: Water Supply, Transmission and Storage

1. Well Field Pumping Station Rehabilitation:

(a) Increase of the reliability of Fushe Kuqe and Fushe Kruja pumping stations with the replacement of the electrical transformers, switch gear and chlorination equipment.

(b) Replacement of piping at the Fushe Kuqe pumping station and installation of new pump sets.

2. Fushe Kruja Well Field Pump Replacement:

Replacement of existing well pumps with higher capacity submersible pumps.

3. Booster Pumping Station Rehabilitation:

Rehabilitation of booster pumping stations serving the Project Area by new electrical installations, replacement of valves, piping and pumps.

Part B: Water Distribution

1. Rehabilitation of networks in the high population density and industrial areas of the Project Area through leak repair, pipe replacement, service connection replacement and the replacement of valves that are beyond repair.

2. Construction of a 2,000 m3 additional storage at the site of existing Reservoir No.2.

Part C: Water Loss Reduction and Demand Management

1. Master Metering:

Installation of master meters at the discharges of each distribution reservoir, at each connection to the Fushe Kuqe and Fushe Kruja transmission mains and at key points in the distribution networks in the Project Area.

2. Water Demand Management Program:

Introduction of a water demand management program including: (i) a customer education program in water conservation; (ii) customer billing based on metered water use for customers with meters; and (iii) the installation of meters on customer service connections with no meters.

Part D: Rehabilitation of Sewerage Systems

1. Rehabilitation of eight pumping stations in the Durres sewerage system.
2. Rehabilitation of the Durres and Shijak sewerage collection and drainage systems.

Part E: Technical Assistance and Institutional Strengthening for Water Supply

1. Provision of technical assistance in accounting, billing and collecting, financial management, information management, maintenance management, and optimization of facilities operation.
2. Revision and updating of the water supply master plan for the Project Area.
3. Refurbishing and equipping of DDWW's newly acquired building.
4. Carrying out of sector training in water system management.
5. Preparation of final designs and bidding documents for the Fushe Kuqe well field expansion and pipeline.
6. Provision of equipment for the use of DDWW in operating and maintaining the water systems in the Project Area.

Part F: Technical Assistance and Institutional Strengthening for Sewerage

1. Provision of technical assistance in institutional reorganization, accounting, billing and collecting, financial management, information management and maintenance management.
2. Development of an information system.
3. Preparation of a sewerage master plan for the Project Area.
4. Carrying out of sector training in sewerage system management.
5. Provision of operation and maintenance equipment for the operation and maintenance of the sewerage systems in the Project Area.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D 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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the

original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts shall be grouped into bid packages.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Albania 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A 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 D: Other Procurement Procedures

1. Contracts for civil works estimated to cost the equivalent of \$500,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$700,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for works estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: 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: (i) works estimated to cost the equivalent of \$200,000 or more; and (ii) goods 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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist in carrying out the Project, consultants shall be employed 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (7) 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, works 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 \$500,000 to be withdrawn from the Credit Account and deposited in 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 in 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.

[Redacted]