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**CREDIT NUMBER 3844-AF**

# **Development Credit Agreement**

**(Emergency Customs Modernization and Trade Facilitation Project)**

**between**

**TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated January 20, 2004**

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**CREDIT NUMBER 3844-AF**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated January 20, 2004, between TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN (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; and

(B) 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 (as amended through October 6, 1999) (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) “ACD” means the Borrower’s Afghanistan Customs Department in MOF (as this term is hereinafter defined);

(b) “ACOC” means the Afghan Chamber of Commerce;

(c) “ASYCUDA” means the Automated System for Customs Declaration;

(d) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “Grant” means a grant made, or proposed to be made, out of the proceeds of the Credit for the financing of a Sub-Project (as this term is hereinafter defined);

(f) “Grant Agreement” means an agreement for a Grant referred to in paragraph 5 of Part C of Schedule 4 to this Agreement;

(g) “MOC” means the Borrower’s Ministry of Commerce;

(h) “MOF” means the Borrower’s Ministry of Finance;

(i) “Project Implementation Consultants” means UNOPS, UNCTAD and UNIDO (as these terms are hereinafter defined) or any implementation consultant employed for purposes of the Project in accordance with the provisions of this Agreement;

(j) “Project Implementation Manual” means the Project Implementation Manual referred to in paragraph 1 (a) of Part A of Schedule 4 to this Agreement;

(k) “Project Year” means the twelve month period beginning from the Effective Date and ending twelve months thereafter and each successive twelve month period following thereafter;

(l) “Sub-Project” means an infrastructure construction and/or rehabilitation activity or service financed, or proposed to be financed, through Grants made under Parts A and B of the Project which meets the criteria set forth in the Project Implementation Manual and the requirements of Schedule 4 to this Agreement;

(m) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(n) “UNCTAD” means the United Nations Conference on Trade and Development;

(o) “UNIDO” means the United Nations Industrial Development Organization;

(p) “UNOPS” means the United Nations Office for Project Services; and

(q) “Work Plans” means the work plans to be prepared, updated, and followed during project implementation as defined in Part D of Schedule 4 to this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty one million six hundred thousand Special Drawing Rights (SDR21,600,000).

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, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in its central bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2014 and ending December 15, 2043. Each installment to and including the installment payable on December 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has

deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through ACD assisted by the Project Implementation Consultants, in coordination with MOC, with due diligence and efficiency and in conformity with the Work Plan and the Project Implementation Manual and appropriate administrative, financial, engineering, environmental and custom and trade facilitation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Without limitation or restriction upon any of its obligations under the Development Credit Agreement, the Borrower shall cause its officials, agents, and representatives to provide, promptly as necessary, any necessary entry and exit visas, work permits, exchange and travel documents required for personnel engaged by the Project Implementation Consultants to assist in the implementation of the Project.

Section 3.03. 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 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;



- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part E of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Management Report shall be furnished to the Association not later than forty-five days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Management Report shall be furnished to the Association not later than forty-five days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Termination**

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VI

### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Kabul  
Transitional Islamic State of Afghanistan

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Kabul, Islamic State of Afghanistan, as of the day and year first above written.

TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN

By /s/ Abdul Salam Rahimy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ William Byrd

Authorized Representative  
South Asia Region

**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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works and services financed through Grants	9,678,000	100%
(2) Goods	3,539,000	100%
(3) Consultants' Services, training and audit costs	6,715,000	100%
(4) Incremental Operating Costs	973,000	100%
(5) Unallocated	695,000	
<b>TOTAL</b>	<u>21,600,000</u> =====	

2. For the purposes of this Schedule, the term "Incremental Operating Costs" means the incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, temporary office structures, office administration costs, banking charges, utility charges, domestic travel and per diem allowances, but excluding salaries of the officials of the Borrower's civil service.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR1,400,000, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after September 30, 2003; and

(b) a Grant under Category (1) unless the Grant has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$200,000 equivalent each; (ii) consultants' services under contracts costing less than \$100,000 equivalent for consulting firms; (iii) consultants' services under contracts costing less than \$50,000 equivalent for individual consultants; (iv) Grants costing less than \$300,000 equivalent per contract; (v) training; (vi) audit costs; and (vii) Incremental Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (i) provide the Borrower with emergency assistance in the establishment of a more efficient customs and transit regime; (ii) assist the Borrower's efforts to increase, in the short term, through the reduction of customs irregularities and inefficiencies the collecting capacity of the ACD and the Borrower's other collection agencies; (iii) assist the Borrower's efforts to decrease, in the medium to long term, trade transaction costs through (A) improvements in key customs and related transit infrastructure and communications, and (B) improvements in customs and transit administration; and (iv) assist the Borrower in (A) laying the basis for a functioning customs service, and (B) taking appropriate measures to facilitate its international trade.

The Project consists of the following, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

1. The carrying out of Sub-Projects for the construction and/or rehabilitation of physical infrastructure of customs and transit consisting primarily of the rehabilitation and/or reconstruction of office buildings, dormitories, warehouses, pavements/roads, inspection sheds, water supply and drainage, generator sheds, guard towers, fences and boundary walls, weigh-bridges installation points, lighting for boundary walls and parking.
2. The acquisition and installation of information technology, communications, and power generation equipment for the border and inland customs/transit facilities (computer hardware and software, VSAT/Radio communications networks, power generators, uninterrupted power supplies), miscellaneous laboratory testing equipment for the Bureau of Standards and Meterology, office supplies, office equipment, office furniture, and vehicles.
3. The carrying out of Sub-Projects for the rehabilitation of MOC's physical infrastructure in Kabul City related to key departments working on trade facilitation and for the development of the Bureau of Standards and Meterology consisting primarily of the rehabilitation and/or reconstruction of office buildings, storage, pavements, water supply and drainage, generator sheds, boundary walls, lighting for boundary walls and parking.
4. The provision of technical assistance to ACD for: (i) the design, supervision and management of Sub-Projects; (ii) the development of customs and transit related legislation, code and rules; (iii) budget preparation, monitoring, and control; (iv) development and phased implementation of ASYCUDA; (v) overall technical support for the project; (vi) implementation support for the Information Communications and Technology development; (vii) restructuring and capacity building of the ACD;

(viii) asset management; and (ix) border and inland control (including the technical advisory services of regional customs specialist).

5. The provision of technical assistance to MOC for: (i) the design, supervision and management of Sub-Projects; (ii) trade, transit, and transport facilitation; (iii) private sector cooperation initiatives; (iv) partial (related to trade facilitation) restructuring and capacity building of MOC; and (v) strengthening the Bureau of Standards and Meterology (weights and measures).

6. The provision of overall Project implementation support to ACD and MOC.

\* \* \*

The Project is expected to be completed by August 30, 2007.

### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods and Works

Part A:          General

Goods and works shall be procured in accordance with 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 the following provisions of Section I of this Schedule.

Part B:          Procurement Procedures

1.      International Competitive Bidding

(a)      Works required for Sub-Projects estimated to cost \$300,000 equivalent or more shall be procured under contracts awarded in accordance with the provisions of paragraphs 2.63 and 2.64 of the Guidelines.

(b)      Goods estimated to cost \$200,000 equivalent or more shall be procured under contracts awarded in accordance with the provisions of paragraphs 2.63 and 2.64 of the Guidelines.

2.      National Competitive Bidding

(a)      Works required for Sub-Projects estimated to cost less than \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and the provisions of the Annex to this Schedule.

(b)      Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and the provisions of the Annex to this Schedule.

3.      Direct Contracting

(a)      Works required for Sub-Projects estimated to cost \$30,000 equivalent or less in response to an emergency situation may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.



(b) Goods estimated to cost \$10,000 equivalent or less per contract, up to an aggregate amount not to exceed \$400,000 equivalent, in response to an emergency situation may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,100,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to the following:

- (i) the first two contracts for works under Sub-Projects estimated to cost less than \$300,000 equivalent;
- (ii) all contracts for works under Sub-Projects estimated to cost the equivalent of \$300,000 or more;
- (iii) the first two contracts for goods through National Competitive Bidding; and
- (iv) all contracts for goods estimated to cost the equivalent of \$200,000 or more.

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 Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Services for design and supervision of civil works estimated to cost \$200,000 equivalent or more, may be procured under contracts awarded in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for design and supervision of civil works estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services of the Project Implementation Consultants, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 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 \$50,000 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) With respect to each contract for services procured on a single source selection basis, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to

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.

**ANNEX**

**to**

**SCHEDULE 3**

**Procedures for National Competitive Bidding**

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

- (i) Standard bidding documents approved by the Association shall be used.
- (ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty-eight days prior to the deadline for the submission of bids.
- (iii) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- (iv) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (v) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders.
- (vi) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
- (vii) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- (viii) All bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid.
- (ix) Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.

- (x) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Association.
- (xi) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
- (xii) Split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- (xiii) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- (xiv) Extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than eight weeks; and (B) for all subsequent requests for extensions irrespective of the period.
- (xv) Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (xvi) Re-bidding shall not be carried out without the Association's prior concurrence; and
- (xvii) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

## **SCHEDULE 4**

### **Implementation Program**

#### **Part A: Overall Project Management**

1. (a) The Borrower shall, with the assistance of UNOPS or other Implementation Consultant(s), prepare a Project Implementation Manual in form and substance satisfactory to the Association setting out Project objectives, overall Project management procedures, Sub-Project selection criteria, Sub-Projects design criteria, Sub-Project project cycle and procurement procedures, disbursement and flow of funds, financial management procedures including auditing, interagency coordination, local capacity building, Sub-Projects supervision, environmental and social safeguards management (including mine risk management), and monitoring and evaluation provisions.

(b) The Borrower shall carry out the Project, through ACD assisted by the Project Implementation Consultants, in coordination with MOC, in accordance with the Project Implementation Manual and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

#### **Part B: ACD and MOC**

2. (a) The Borrower shall maintain ACD and MOC each in a form and with functions, staffing and resources satisfactory to the Association.

(b) The Borrower shall assign responsibility for the overall management of the Project to ACD. ACD shall in the discharge of its Project functions be assisted by other Project Implementation Consultants employed on terms and conditions satisfactory to the Association.

3. (a) The Project functions of UNCTAD and UNIDO shall be performed under respective inter-agency arrangements, satisfactory to both the Borrower and the Association, entered into with the Implementation Consultant.

#### **Part C: Sub-Projects**

4. (a) The Borrower shall ensure that, except as the Association shall otherwise agree, Sub-Projects shall be promoted, identified, appraised, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in the Project Implementation Manual.

(b) To be eligible for Grants applicants for the Grants must meet the relevant criteria set out in the Project Implementation Manual with respect to the making of Grants.

5. The Borrower shall enter into agreements satisfactory to the Association as a condition for the making of Grants. The terms and conditions of each Grant Agreement shall *inter alia*:

(a) require that the recipient of the Grant to: (i) carry out the Sub-Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Sub-Project;

(b) require that the goods, works and services to be financed out of the proceeds of the Grant shall (i) be procured in accordance with procedures ensuring efficiency and economy and the provisions of Schedule 3 to this Agreement; and (ii) be used exclusively in the carrying out of the Sub-Project; and

(c) reserve for the Borrower the right to:

(i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the Sub-Project and any relevant records and documents;

(ii) obtain all information as the Borrower or the Association shall reasonably request regarding the operation and financial condition of the Grant recipient carrying out the Sub-Project; and

(iii) suspend or terminate the right of the Grant recipient to use the proceeds of the Grant upon the failure by such recipient to perform any of its obligations under the Grant Agreement.

Part D:            Work Plans

6. The Borrower shall: (i) jointly with the Association and in consultation with the Implementation Consultants, no later than January 30, 2004, prepare and furnish the Association with a detailed work plan for the first Project Year and the following half of the second Project Year based on a three and half years' Project implementation horizon; and (ii) no later than three months before the end of the last preceding Project Year prepare and furnish to the Association subsequent annual Project work plans for the remaining two Project Years.

Part E: Progress Reports and Mid-Term Review

7. The Borrower shall:

(i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association: (a) on a biannual basis, commencing not later than forty-five days after the end of the first six-month period after the Effective Date, a report on the progress achieved in the implementation of the Project and the achievement of the objectives thereof; and (b) on or about October 31, 2005, a report, to constitute the basis upon which the mid-term review shall take place, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (i) of this section and consolidating the results of the reports referred to under sub-paragraph (ii) (a) of this paragraph, 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

(iii) review with the Association, by December 31, 2005, or such later date as the Association shall request, the report referred to in subparagraph (ii) (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.



## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) 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 \$200,000 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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the 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.