

CREDIT NUMBER 1839 ZR

Development Credit Agreement

(Higher Education Rationalization Project)

between

REPUBLIC OF ZAIRE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 25, 1987

CREDIT NUMBER 1839 ZR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 25, 1987, between the
REPUBLIC OF ZAIRE (the Borrower) and the INTERNATIONAL
DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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

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

NOW THEREFORE the parties hereto hereby agree as
follows:

ARTICLE I

General Conditions; Definitions

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

Section 1.02. Unless the context otherwise requires,
the several terms defined in the General Conditions have
the respective meanings therein set forth and the

following additional terms have the following meanings:

(a) "Department" means the ministry of the Borrower responsible for higher education;

(b) "Project Unit" means the unit referred to in Section 3.01 (c) of this Agreement;

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

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated March 13, 1987 and May 4, 1987, between the Borrower and the Association.

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 this Agreement, an amount in various currencies equivalent to eight million five hundred thousand Special Drawing Rights (SDR 8,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial 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 3 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 1993, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing November 15, 1997, and ending May 15, 2027. Each installment to and including the installment payable on May 15, 2007, 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 exceed \$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, 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, any time after modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower is 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 the Department with due diligence and efficiency and in conformity with appropriate financial, administrative, economic, technical and educational 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.

(c) For the administration and coordination of the Project, the Borrower shall establish in the Department a Project Unit, comprising a Project Director, a Project Coordinator, an Accountant and appropriate support staff.

(d) Pursuant to paragraph (a) of this Section, the Borrower shall establish in a commercial bank a Project Fund to be used exclusively by the Project Unit to cover expenditures for the Project not financed out of the proceeds of the Credit and shall make an initial deposit therein of the equivalent of \$20,000 and further deposits equivalent to at least \$45,000 at the beginning of each following calendar quarter.

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 5 to this Agreement.

Section 3.03. The Borrower shall exchange views with the Association on its three-year rolling public expenditure program for the educational sub-sectors at least once each year during the carrying out of the Project.

Section 3.04. The Borrower shall exchange views with the Association on its long-term strategy for the development of higher education prior to its final adoption; enrollments in higher education shall be contained to a growth rate agreed with the Association until such strategy is adopted.

Section 3.05. The Borrower shall ensure that, on the basis of its three-year rolling program for public expenditures in the sector, adequate amounts be budgeted annually for higher education, and that the amounts so budgeted be made promptly and regularly available to cover expenditures.

Section 3.06. During the carrying out of the Project, the Borrower shall continue its policy of not subsidizing the lodging, meals and transportation of students in higher education.

Section 3.07. (a) The Borrower shall ensure that the Project Unit furnish to the Association annual work programs, and that each such program set out detailed proposals for carrying out the Project in the period to which it relates and contain such other information as shall be satisfactory to the Association.

(b) The Borrower shall, after review of each such workprogram, cause the Project Unit to make such revisions to such work plan as may be appropriate and, except as the Association shall otherwise agree, cause the Project to be carried out in the year in question on the basis of such work program, as it may be so revised.

Section 3.08. The Borrower shall establish a Management Committee and a Studies Steering Committee with such composition and terms of reference as shall be

agreed by the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of 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, audited for each fiscal year, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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 completion of the audit for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section, and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation,

can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Project Fund referred to in Section 3.01 (d) of this Agreement has been established, and the initial deposit of \$20,000 equivalent has been made therein;

(b) the Project Unit referred to in Section 3.01 (c) of this Agreement has been established and staffed; and

(c) the Management Committee and the Studies Steering Committee referred to in Section 3.08 of this Agreement have been established.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Commissioner of State of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Departement des Finances
Boite Postale No. 12997
Kinshasa 1
Republic of Zaire

Cable address:

Telex:

DENFIN
Kinshasa

21161 KIN GOMBE

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT)
248423 (RCA)
64145 (WUI)
89650 (WUT) or
197677 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective

names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF ZAIRE

By /s/ Ludunge K.C. Mwanie
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Consultant's, specialist's and expert's services	2,600,000	100% of foreign expenditures and 80% of local expenditures or, for personnel recruited locally, 95% of local expendi- tures
(2) Vehicles and equipment	1,100,000	100% of foreign expenditures and 80% of local expenditures
(3) Textbooks	1,100,000	100% of foreign expenditures and 80% of local expenditures
(4) Training and fellowships except under Part II A.2 of the Project	1,800,000	100% of foreign expenditures and 80% of local expenditures
(5) Operating costs of Project Unit, including salaries	700,000	100% of foreign expenditures and 80% of local expenditures
(6) Refunding of Project Prepara- tion Advance	300,000	Amount due pur- suant to Section 2.02 (c) of this

Agreement

(7) Unallocated	900,000
TOTAL	8,500,000

2. If the amount allocated to Category (6) above is in excess of the amount due, the balance will be reallocated to Category (7).

3. For the purposes of this Schedule:

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

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

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures made prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen the management and administration of the higher education sector of the Borrower, improve academic performance, develop a comprehensive and coherent strategy for the educational sector, and alleviate shortages in textbooks and teaching materials.

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 I: Management and Administration

A. Auxiliary Services and Logistics Management

1. Analysis of teaching load and student/teacher ratio, establishment of norms and deployment of staff accordingly.
2. Analysis of administrative staffing, establishment of functions and norms and deployment of staff accordingly.
3. Improved organization of the maintenance services for the Intendance General and auxiliary services for the establishments, and training of about 50 maintenance technicians; about 20 staff will be trained abroad as maintenance technician trainers and returned to assist with training of the maintenance trainees.
4. Upgrading the educational statistics services through the training at home in short one-month courses of about 90 personnel responsible for handling statistics (45 in the establishments and 45 in the Department); training abroad in a one-year course in educational planning and statistics of two selected persons.

B. Development of University Research

1. Study-visits abroad for about 10 top administrators of Universities and Institutes.
2. Training in Zaire of 20 trainers in educational management, including budgeting, personnel management and academic management. These trainers will in turn train in short courses about 300 managers and 250 support staff, mainly for the educational establishments.

C. Financing and Cost-recovery

1. Analysis and proposals concerning potential sources of complementary financing, especially regarding the private sector, enterprises, the "Open University" idea, student loans and introduction of pilot evening courses in the three Universities of Kinshasa, Lubumbashi and Kisangani for about 200, 100 and 100 students, respectively.
2. Unit cost analysis of higher education with proposals for improved budgeting and cost control.

Part II: Teaching-Learning

A. Training

1. Re-training of about 128 Senior Lecturers and Lecturers in three-month courses in the disciplines of French language teaching, mathematics, physics and biology at two Universities and the National Pedagogical Institute.
2. Re-training of about 450 secondary teachers (225 in French and 225 in mathematics) in two-month courses.
3. Establishment of an Excellence Fund, initially of \$300,000, for needy students to be sustained through contributions solicited by the Department, to fund scholarships to be awarded on the basis of final year examinations - 90 one-year fellowships in medicine, agriculture, engineering, management and mathematics for graduate study in Zaire, and 20 six-month research fellowships in the same disciplines for post-graduate study abroad.

B. Development of University Research

1. Analysis of university research activities and publications together with proposals for improvement; proposals made will be presented in a seminar for about 40 participants.
2. Upgrading of research activities through award of one-year fellowships abroad for about 30 selected trainees to undertake specific research in medicine, management, agriculture and engineering, and six-month fellowships abroad in the following year for 10 research trainees in the same disciplines; this training will be undertaken in the context of "twinning" with foreign establishments for which negotiating visits by three top

academics will be made.

3. Strengthening the Zaire University Press (PUZ) through reorganization and upgrading a unified university publications service, and study abroad for the PUZ Director (1 staff-month).
4. Strengthening the use of library facilities through study-visits abroad by three University librarians and subsequent library training by two short-term library specialists assisted by three counterparts in seminars/courses for about 30 personnel; library stocks, especially in science documentation, will be replenished in about 13 establishments.

C. Modernization/Innovation

1. Analysis and proposals for improved academic activities in medicine, agriculture, nutrition and "Professionalization" of Higher Pedagogical Institutes (ISP); a final seminar on nutrition training for about 25 participants.
2. Planning and introduction of a two-year post-graduate specialized training course in accounting and management for an annual output of about 25 trainees.

D. Internal Efficiency

Analysis of causes of wastage and of student conditions and improvement proposals thereon; seminars on each proposal for about 50 participants.

Part III: Strategy Development for Higher Education

From the results of the study on Human Resources Development in Zaire (expected in June 1988) and other relevant training/ employment studies undertaken, an evaluation of long-term training requirements in higher education; an analysis of admissions to the higher education system; establishment of criteria for location planning and production of a national location map for higher educational establishments. The Studies Steering Committee will lead the preparation of a synthesis of all the studies undertaken under the project and, on this basis, proposals for a medium- and long-term strategy for development of the higher education system will be elaborated. These proposals will be discussed nationally in a seminar including Zairian authorities and Zairian and foreign specialists.

Part IV: Teaching Materials

The procurement of teaching materials in basic science for institutions including the Universities of Kinshasa, Lubumbashi and Kisangani, the National Pedagogical Institute, the Higher Technical Pedagogical Institute and the Interdisciplinary Pedagogical Development Center (CIDEP) in Kinshasa, the Higher Pedagogical Institute (HPI) and the Higher Institute for Social Studies in Lubumbashi, the Agricultural Science Institute in Yangambi and the Higher Agricultural Science Institute in Bengamisa, the HPIs of Mbandaka and Kananga and the Higher Institute for Medical Techniques of Bukavu.

* * * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Special Account

I. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph I of Schedule I to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall furnish to the Association, prior to or at the time of any request for replenishment or upon request of the Association, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

- (ii) the total unwithdrawn amount of the Credit, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

SCHEDULE 4

Implementation Program

I. In the carrying out of the Project, the following key actions shall be completed by the dates indicated:

Action	Date
A. Three-year rolling public expenditures programs for education sub-sectors agreed with the Borrower.	December 31, 1988
B. Hiring of consultants for strategy development studies, including-training-employment and location map for higher education establishments.	December 31, 1988
C. First draft of training-employment study furnished for comment to the Association.	December 31, 1989
D. First draft of the higher education location map furnished for comment to	March 31, 1990

the Association.

- E. Draft long-term higher education strategy for higher education development furnished for comment to the Association. July 31, 1990
- F. Above long-term strategy adopted by the Borrower taking into account the comments of the Association. October 31, 1990
- G. Program for cost-sharing improvements furnished for comment to the Association. June 30, 1988
- H. Above program applied in academic year 1988/89 and annual reports thereon furnished for comment to the Association. July 31, 1989 and each July 31 thereafter
- I. Recommendations of studies on: (1) staff inventory and establishment of norms for utilization of administrative and teaching personnel; and (2) student flow and graduate employment. December 31, 1989
- J. Report indicating improvements made or proposed for I.(I) and (2) above furnished for comment to the Association and recruitment program for experts and fellowship trainees. June 30, 1990
- K. Annual work program for following calendar year furnished for comment to the Association. November 1 in each year of Project
- L. Report on previous calendar year's activities under the Project furnished for review and comment to the Association. March 31 each year

II. Reporting and Evaluation

As part of the reports to be furnished pursuant to Section 9.06 of the General Conditions, the Borrower shall furnish to the Association, in such form as shall be reasonably requested by the Association, semiannual progress reports by December 31 and June 30 in each year.

SCHEDULE 5

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding; Storage; Inventory Control

1. Except as provided in Part B of this Schedule, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Prior to inviting bids for equipment or vehicles, the Borrower shall ensure to the satisfaction of the Association, that adequate provisions have been made for their storage and for annual inventory control.

Part B: Other Procurement Procedures

1. Textbooks and teaching materials may be procured following consultation with the Association on the most economical procedure, taking into account the requirements for warehousing, inventory control, etc.
2. Goods which cannot be grouped into bidding packages of a value of at least \$100,000 equivalent, may be procured through competitive bidding as described in paragraph 3.3 of the Guidelines.
3. Miscellaneous items of a value of less than \$10,000 equivalent after grouping, may be procured through shopping, as described in paragraph 3.4 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. With respect to all contracts estimated to cost the equivalent of \$10,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix I 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 paragraph 2 (d) of said Appendix 1 shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.
2. With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix I to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to this Agreement.
3. The provisions of the preceding paragraphs 1 and 2 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.
4. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix I to the Guidelines.

Section II. Employment of Consultants, Specialists and Experts

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants, specialists and experts, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants, specialists and experts 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.

