

CONFORMED COPY

CREDIT NUMBER 2702 SL

Development Credit Agreement

(Urban Water Supply Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 15, 1995

CREDIT NUMBER 2702 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 15, 1995, between the REPUBLIC OF SIERRA LEONE (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) the Borrower has stated in a letter, dated February 10, 1995 its policies and objectives designed to implement its water supply and sanitation sector development programs (the Policy Letter);

(C) Parts A and B (2) of the Project will be carried out by the Guma Valley Water Company (GVWC), a company established and operating under the laws of the Borrower, and Part B (1) of the Project by the Sierra Leone Roads Authority (SLRA), a statutory corporation established and operating under the laws of the Borrower, all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GVWC and SLRA proceeds of the Credit as hereinafter 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 following Agreements, namely, the Project Agreement of even date herewith between the Association and GVWC (the GVWC Project Agreement) and the Project Agreement of even date herewith between the Association and SLRA (the SLRA Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "GVWC Project Agreement" means the agreement between the Association and GVWC 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 GVWC Project Agreement;

(b) "SLRA Project Agreement" means the agreement between the Association and SLRA 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 SLRA Project Agreement;

(c) "the Project Agreements" means the GVWC Project Agreement and the SLRA Project Agreement;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GVWC pursuant to Section 3.01 (b)(i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

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

(f) "SLRA Special Account" means the account opened in the name of SLRA and referred to in Section 2.02 (b) of this Agreement;

(g) "Special Accounts" means the GVWC Special Account and SLRA Special Account;

(h) "GVWC Project Account" means the account opened in the name of GVWC and referred to in Section 2.01 (c) of the GVWC Project Agreement;

(i) "SLRA Project Account" means the account opened in the name of SLRA and referred to in Section 2.01 (c) of the SLRA Project Agreement;

(j) "Project Accounts" means the GVWC Project Account and the SLRA Project Account;

(k) "GVWC" means the Guma Valley Water Company established and operating under the GVWC Act;

(l) "GVWC Act" means the Guma Valley Water Act, 1961 of

the Borrower, as amended to the date of this Agreement;

(m) "SLRA" means the Sierra Leone Roads Authority established and operating under the SLRA Act;

(n) "SLRA Act" means the Sierra Leone Roads Authority Act, 1992 of the Borrower, as amended to the date of this Agreement;

(o) "DOEP" means the Borrower's Department of Energy and Power; and

(p) "Leone" or "Le" means currency of the Borrower.

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-four million five hundred thousand Special Drawing Rights (SDR 24,500,000).

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 may, for the purposes of the Project, open and maintain in dollars two special deposit accounts in a commercial bank or banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. One such Special Account shall be opened in the name of GVWC (the GVWC Special Account) and the other Special Account (SLRA Special Account) shall be opened in the name of SLRA. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999 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 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) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15, commencing June 15, 2005, and ending December 15, 2034. Each installment to and including the installment payable on December 15, 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.

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, cause GVWC and SLRA to perform in accordance with the provisions of the Project Agreements all the respective obligations of GVWC and SLRA therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GVWC and SLRA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

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

(i) relend to GVWC an amount equivalent to

\$28,200,000 or such other amount or amounts as shall be allocated to GVWC in Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and GVWC, under terms and conditions which shall have been approved by the Association and which shall include: (A) interest at 7.1% per annum; (B) repayment of principal in 20 years (including 5 years of grace); (C) assumption by GVWC of any foreign exchange risk; and (D) capitalization of interest during construction; and

- (ii) make available to GVWC, as a grant, on terms and conditions satisfactory to the Association an amount equivalent to: (A) \$2,800,000 for the carrying out by GVWC, on behalf of DOEP, of the sewerage system rehabilitation components of the Project, and (B) \$3,300,000 for the carrying out by GVWC, on behalf of DOEP, of the water supply master plan studies and the institutional, management and finance study included in Part A (3) of the Project, the said amounts being subject to change as and when amounts of the Credit are reallocated in accordance with the provisions of this Agreement applicable to Schedule 1 thereto.

(c) The Borrower shall out of the proceeds of the Credit make available to SLRA, as a grant, on terms and conditions satisfactory to the Association an amount equivalent to \$1,700,000 or such other amount or amounts as shall be allocated to SLRA in Schedule 1 to this Agreement for the carrying out by SLRA of Part B of the Project.

(d) 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. The Borrower shall pay into each of the Project Accounts: (i) an initial amount of its counterpart contribution to the costs of the Project of fifty million Leones (Le 50 million) equivalent; and (ii) quarterly in advance such amounts of the said counterpart contribution as the Borrower, the Association, GVWC and SLRA shall jointly determine.

Section 3.03. The Borrower shall carry out the actions described in Schedule 4 to this Agreement to the satisfaction of the Association.

Section 3.04. 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 1 to the Project Agreements.

Section 3.05. 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: (i) Parts A and B (2) of the Project shall be carried out by GVWC pursuant to Section 2.03 of the GVWC Project Agreement, and (ii) Part B (1) of the Project shall be carried out by SLRA pursuant to Section 2.03 of the SLRA Project Agreement.

Section 3.06. The Borrower shall, no later than August 31, 1997 carry out jointly with the Association, GVWC, SLRA and DOEP a mid-term review of the Project. The review shall, among other things, assess:

- (i) the progress made in carrying out the various components of the Project, including (A) compliance with financial, audit and other covenants relating to the Project; (B) the carrying out of the water systems rehabilitation and expansion, institutional strengthening and sanitation and sewerage components of the Project; (C) implementation of GVWC's water tariff structure based on metered consumption; (D) the success of private sector participation in GVWC's operations and the possibility of expanding the scope of such participation in said operations; and (E) GVWC's continued management autonomy and capacity to manage its expanding operations efficiently and profitably; and
- (ii) corrective measures that need to be taken including changes, if any, in the scope and content of the Project;

Section 3.07. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

- (a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;
- (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and
- (c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial and Other Covenants

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

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
 - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts 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 the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the 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; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. (a) Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (i) a situation has arisen which shall make it improbable that the policies and objectives stated in the Policy Letter, or a significant part thereof, will be carried out;
- (ii) GVWC shall have failed to perform any of its obligations under the GVWC Project Agreement;
- (iii) SLRA shall have failed to perform any of its obligations under the SLRA Project Agreement;
- (iv) 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 GVWC or SLRA will be able to perform its obligations under the GVWC Project Agreement or SLRA Project Agreement;
- (v) the GVWC Act or the SLRA Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GVWC or SLRA to perform any of its obligations under the GVWC Project Agreement or SLRA Project Agreement;
- (vi) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GVWC or SLRA; and
- (vii) the right of the Borrower to withdraw the proceeds of any loan, credit or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(b) Paragraph (a) (vii) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

- (i) any of the events specified in paragraphs (a) (ii) and (iii) 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
- (ii) any of the events specified in paragraphs (a) (v), (vi) and (vii) of Section 5.01 of this Agreement shall occur, subject, in the case of the event specified in paragraph (a) (vii) of said Section, to the proviso of paragraph (b) of Section 5.01.

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 GVWC;
- (b) the Project Accounts have been established and the Borrower has paid into each of the Project Accounts an initial amount of Le 50 million; and
- (c) GVWC has appointed a sewerage engineer to assist with the carrying out of the sewerage component of the Project.

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 Agreements have been duly authorized or ratified by, and are legally binding upon, GVWC and SLRA in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and GVWC and is legally binding upon the Borrower and GVWC in accordance with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary of State for 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:

The Financial Secretary
The Department of Finance
Freetown
Sierra Leone

Cable address:

MINFIN
Freetown

Telex:

3363

Telefax:

225353

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:

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

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 SIERRA LEONE

By /s/ T. K. Kargbo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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:

Amount of the Credit Allocated	% of
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Category	(Expressed in SDR Equivalent)	Expenditures to be Financed
(1) Civil Works:		100% of foreign expenditures and 90% of local expenditures
(a) GVWC	14,400,000	
(b) SLRA	350,000	
(2) Goods and Equipment:		100% of foreign expenditures and 90% of local expenditures
(a) GVWC	2,850,000	
(b) SLRA	130,000	
(3) Consultant's services and training:		100%
(a) GVWC	3,660,000	
(b) SLRA	540,000	
(4) Unallocated:		
(a) GVWC	2,440,000	
(b) SLRA	130,000	

TOTAL	24,500,000 =====	

2. For the purposes of this Schedule:

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

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

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

4. 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) goods not exceeding \$50,000 equivalent; (ii) services of (A) consulting firms not exceeding \$100,000 equivalent, and (B) individual consultants not exceeding \$10,000 equivalent; and (iii) works 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: (i) improve water supply and sanitation services in Freetown; (ii) make water supply and sanitation services more accessible to the urban poor; (iii) strengthen GVWC and other agencies involved in the water supply and sanitation sector; (iv) encourage private sector participation in the said sector; and (v) assist in the preparation of water master plans and development programs for the major towns outside Freetown.

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

(1) Rehabilitation and expansion of GVWC's water system including:

(a) the carrying out of rehabilitation and repair work on the Guma Dam intake tower and the construction of weirs and canals to provide an incremental yield of about 13,000 cubic meters per day;

(b) the refurbishment of the Guma Water Treatment Plant, including the replacement of obsolete equipment, replacement of filters and modifications to increase the capacity of the Plant to 90,000 cubic meters per day to match the supply capacity of the Guma reservoir and transmission pipelines to Freetown;

(c) construction of new bulk transfer mains to improve supply to the eastern areas of Freetown, including: (i) construction of mains from (A) Congo Cross to Lumley Street, (B) Lumley Street to Dan Street, (C) Africanus Road to Wellington, (D) a new outlet to Wellington Reservoir; and (ii) installation of flow control valves at the Wellington reservoir;

(d) extensions to the distribution system, including: (i) pipelines extension to, and installation of pressure reducing valves in, the Spur Road Zone; (ii) extension of a secondary distribution network to serve the high growth/influx population Wellington Zone; (iii) provision of a new common outlet main from the Tower Hill Reservoir; and (iv) construction of a bypass to the Income Tax Break Pressure Tank;

(e) improvement and reintegration of reservoirs into the distribution system, including: (i) refurbishment of the Dan Street and Income Tax reservoirs; and (ii) construction of new reservoirs at Governor's Lodge, Kortright and Wilberforce Village;

(f) refurbishment of the subsidiary supply at Kongo, including provision of a package treatment plant and replacement of the old Gloucester Service Reservoirs;

(g) secondary distribution reinforcement, including the supply of: (i) pipes and fittings for replacement of old mains; and (ii) other materials and items for routine expansion of the distribution system; and

(h) provision of consultant services for supervision of the above components of the Project.

(2) Strengthening of GVWC, including:

(a) acquisition of computers and software for accounting and management information systems;

(b) acquisition of vehicles and tools for maintenance;

(c) provision of technical assistance: (i) for the installation and operation of computerized systems; (ii) for the carrying out of a study to identify the specific functions and services of GVWC which can be appropriately carried out by private sector institutions under contract or other suitable arrangement with GVWC including an assessment of the feasibility and possible forms of such contract or arrangement; (iii) to assist GVWC in the management of its investment programs and operations; and (iv) for the development of a public relations and education program; and

- (d) training of GVWC's staff.
- (3) (a) Improvement of water supply operations in major towns other than Freetown, including:
 - (i) the carrying out of the following studies: (A) water supply master plan studies for major urban centers outside Freetown (e.g., Bo, Kenema and Makeni); and (B) an institutional, management and finance study of the water sector operations in Sierra Leone but outside Freetown, including a study of the development of an appropriate institutional framework for water supply in the above-named towns;
 - (ii) strengthening of water sector institutions and agencies in Sierra Leone (other than GVWC), including the provision of office equipment and vehicles to the said institutions and agencies.
- (b) Provision of technical assistance for the above components of the Project.

Part B: Sanitation

- (1) (a) The carrying out of sanitation management studies and the development of sanitation management guidelines.
- (b) The design of a community outreach system in which Non-Governmental Organizations and other private institutions and agencies can participate.
- (c) Training of extension agents in the promotion of improved environmental sanitation.
- (d) Improvement of domestic sanitation management practices.
- (e) The organization of neighborhood user groups to comment and offer advice on services provided by GVWC and other service providers.
- (f) Improving waste water disposal and management of new water points.
- (g) Construction of ablution facilities in low income areas of Freetown.
- (h) Acquisition of equipment and vehicles to institutions and agencies participating in the carrying out of Part B (1) (a) through (g) of the Project.
- (i) Provision of technical assistance including management and consultant services for the carrying out and/or supervision of Part B (1) (a) through (g) of the Project.
- (2) (a) Rehabilitation and pilot scale extension of the existing sewerage system and extension of the outfalls.
- (b) Strengthening of institutions and agencies providing sewerage services, including the acquisition of equipment and vehicles for the said institutions and agencies.
- (c) Provision of consultant services for supervision of Part B (2) (a) of the Project.

* * *

The Project is expected to be completed by June 30, 1999.

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited pursuant to paragraph 3 (a) of this Schedule into: (i) the GVWC Special Account equivalent to \$800,000; and (ii) the SLRA Special Account equivalent to \$100,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$450,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed \$1,500,000 equivalent.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a 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 a 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 a 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 5.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less 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 a 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 a 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 a 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 a 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.

SCHEDULE 4

Actions referred to in Section 3.03 of this Agreement

1. (a) The Borrower shall cause GVWC, acting on behalf of DOEP, to carry out the institutional, management and finance study included in Part A (3) of the Project no later than June 30, 1996.

(b) The Borrower shall furnish to the Association no later than September 30, 1996 for its review and comments: (i) the results of the study referred to in paragraph (a) above, and (ii) an action plan for the carrying out of the recommendations of the said study as shall be satisfactory to the Association.
 2. The Borrower shall no later than: (i) January 1, 1997 update, and furnish to the Association for its review and comments, the action plan for the transfer to GVWC of DOEP's sewerage functions in Freetown; and (ii) January 1, 1998 transfer to GVWC the said functions.
 3. The Borrower shall furnish, or cause to be furnished, to the Association copies of all consultants' reports and studies financed out of the proceeds of the Credit, including those prepared for DOEP.
 4. The Borrower shall take action adequate to ensure that each of its departments and agencies shall at all times settle in full each of its water bills no later than 30 days from the date of receipt by such department or agency of the bill.
 5. The Borrower shall by May 31, 1995 announce its policy on metering of domestic water supply including a statement on the resumption of metering of domestic water supply.
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