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**CONFORMED COPY**

**CREDIT NUMBER 3938 GE**

# **Development Credit Agreement**

**(Secondary and Local Roads Project)**

**between**

**GEORGIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 1, 2004**

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**CREDIT NUMBER 3938 GE**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 1, 2004, Georgia (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated May 29, 2004, describing a program designed to improve policies and operations in the Road Sector (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) 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 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement:- the text in Section 5.01 which reads "(a) on account of expenditures in the territories of any country which is not a member of the Association or for goods produced in, or services supplied from, such territories: or (b)" is deleted in its entirety.

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) “Environmental Management Plan” or “EMP” means the plan, satisfactory to the Association, prepared and adopted by the Borrower, describing the environmental mitigation, monitoring and institutional measures for the Project;

(b) “European Committee for Standardization” or “ECS” means an international association established and operating pursuant to the Statutes of Comité Européen de Normalisation (CEN) of 25<sup>th</sup> October 1919, as amended on December 6, 1954, or any legal successor thereto;

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

(d) “Georgian Lari” or “GEL” means the currency of the Borrower;

(e) “Implementation Agreement” means the agreement to be entered into between the RDMID and TRRC pursuant to Part B.1(c) of Schedule 4 to this Agreement;

(f) “Letter of Road Sector Policy” means the letter to be provided by the Borrower describing a program of actions, objectives and policies designed to further the reform of the Borrower’s road sector as referred to in the Preamble to this Agreement;

(g) “Letter of Road Sector Resources Allocation Policy” means the letter to be provided by the Borrower describing policies for road maintenance (routine, periodic and rehabilitation works) and annual budget allocations arising from such policies for a period of 4 years, including defined rules and procedures for adjustments and annual negotiations for an additional year’s budgetary allocation;

(h) “MID” means the Borrower’s Ministry of Infrastructure and Development or any legal successor thereto;

(i) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a supplemental letter to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives therefore are being achieved;

(j) “Procurement Plan” means the Borrower’s procurement plan, dated May 14, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.05 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation’

(k) “RDMID” means the Roads Department of the Ministry of Infrastructure and Development responsible for managing the Borrower’s road network or any legal successor thereto;

(l) “Road Management Committee” or “RMC” means a Committee established at the district level “Raion” referred to in Part C.1(b) of Schedule 4 to this Agreement to provide community input into RDMID’s planning and monitoring of local roads;

(m) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and RDMID pursuant to Section 3.02(a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

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

(o) “TRRC” means the Eurasia Transport Corridor Investment Center/Transport Reform and Rehabilitation Center established pursuant to Order No. N-119 dated April 16, 1995, as revised by President’s Order No. N-161, dated April 21, 2000 to assist in the implementation of road sector projects, or any legal successor thereto.

## **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 thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000).

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 a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or

attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be October 31, 2009, 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 March 15 and September 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 March 15 and September 15 commencing September 15, 2014, and ending March 15, 2044. Each installment to and including the installment payable on March 15, 2024, 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 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 RDMID with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility, environmental 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 cause RDMID to carry out the Project in accordance with the Implementation Program and Environmental Management Plan set forth in Schedule 4 to this Agreement.

Section 3.02 (a) The Borrower shall relend the proceeds of the Credit to RDMID under a subsidiary loan agreement to be entered into between the Borrower and RDMID, under the same terms and conditions as the Credit, which shall have been approved by the Association, and shall include:

- (i) the principal amount of the Subsidiary Loan shall be repaid by RDMID to the Borrower in equal semi-annual installments over forty (40) years, including a grace period of ten (10) years;
- (ii) the principal amount of the Subsidiary Loan repayable by RDMID shall be the equivalent in GEL (determined as of the date, or respective dates, of repayment) of the value of the currency or currencies withdrawn from the Credit Account in respect of the above-mentioned Categories;
- (iii) interest shall be charged on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate equivalent to the rate payable by the Borrower to the Association according to the provisions of Sections 2.04 and 2.05 of this Agreement.

(b) 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 3.03. The Borrower shall open pursuant to Section 6.01 of this Agreement and thereafter maintain in a commercial bank acceptable to the Association an account (the Project Account), wherein it shall deposit an amount from its own resources sufficient to cover the portion of counterpart financing requirements for local expenditures for which the Borrower is responsible under the Project financing plan and which are projected to be made under the Project in the four months succeeding. Except as otherwise agreed by the Association, the balance in the Project Account, at effectiveness shall not be less than \$300,000 and thereafter the Borrower shall replenish the account with sufficient funds to cover the expected project expenditures on a monthly basis.

Section 3.04 (a) The Borrower shall ensure that adequate budgetary resources are made available to the road sector in the Borrower's annual budget and except as the Association shall otherwise agree, the funding levels for the next four years succeeding shall be as follows: (i) 45 million GEL for 2005; (ii) 50 million GEL for 2006; (iii) 55 million GEL for 2007; and (iv) 60 million GEL for 2008.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall provide to the Association a Letter of Road Sector Resources Allocation Policy which shall *inter alia* include the following rules for adjustment to agreed budget allocations: (i) procedures for increasing or decreasing the agreed amounts; (ii) procedures for annual negotiation of an additional outer year; and (iii) conditions for suspension/termination of the requirements of the Letter of Road Sector Resource Allocation Policy.

Section 3.05. 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 as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with terms of reference acceptable to the Association and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.06. 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 (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability 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 C.1(f) of Schedule 4 to this Agreement the Borrower shall prepare and furnish to the Association FMR, 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 FMR shall be furnished to the Association not later than 45 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 FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the following additional event is specified, namely, that 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 the Program will be carried out.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01(b) of the General Conditions, namely that:

(a) the Borrower has opened the Project Account and deposited an initial amount of \$300,000 equivalent into the Project Account in accordance with the provisions of Section 3.03 of this Agreement; and

(b) the Borrower has submitted a Letter of Road Sector Resources Allocation Policy satisfactory to the Association in accordance with the provision of section 3.04 (b) of this Agreement.

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, namely:

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

(b) the Implementation Agreement between TRRC and RDMID has been duly authorized and executed by the parties thereto and is legally binding upon the parties in accordance with its terms.

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

**ARTICLE VII**

**Representative of the Borrower; Addresses**

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
70, Irakli Abashidze Str.  
380062 Tbilisi  
Georgia

Telex:  
212 348 MOFIN

For the Association:

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

Cable address:  
INDEVAS  
Washington, D.C.

Telex:  
248423 (MCI) or  
64145 (MCI)

Facsimile:  
(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 Tbilisi, Georgia, as of the day and year first above written.

GEORGIA

By: /s/ Zurab Nogaideli

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Van Roy Southworth

Authorized Representative

**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) Works	9,900,000	70%
(2) Goods	100,000	100% of foreign, 100% of local expenditures (ex-factory cost), and 80% of local expenditures
(3) Consultants Services Auditing & Training	2,100,000	90% of foreign and 80% local expenditures
(4) Incremental Operating Costs	350,000	80%
(5) Unallocated	1,350,000	
<b>TOTAL</b>	<u>13,800,000</u>	

2. For the purposes of this Schedule:

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

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

(c) the term “incremental operating costs” means the costs for expenditures incurred by TRRC for equipment and vehicle maintenance, costs for fuel, office utilities, minor office equipment, supplies, literature, field trips, meetings and in country travel costs related to the Project, TRRC staff salaries (excluding Government civil servants) communication costs, reasonable banking charges and media advertisement.

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: (a) goods costing less than \$100,000 equivalent per contract; (b) works costing less than \$600,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; and (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract, 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: (a) upgrade and rehabilitate secondary and local roads network; and (b) strengthen RDMID's capacity to promote community participation in road management and manage road networks in a cost effective and sustainable manner.

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: Rehabilitation of Local and Secondary Roads

Rehabilitating between 500-750 kilometers of secondary and local roads including local roads between 150-250 kilometers, carrying out drainage improvements and providing signage and access to adjacent properties.

#### Part B: Strengthening the Capacity of Road Sector Institutions

1. Setting up four to six RDMID regional offices through: (a) providing technical assistance for community participation in the Project, data collection, planning and monitoring of the civil works; (b) provision of consultants services to disseminate information and conduct public consultations on local roads programs; and (c) financing of the offices incremental operating costs.
2. Supervising and training RDMID and MID staff and other local resource persons in developing regional maintenance plans and maintaining roads according to the plans.
3. Provision of technical assistance and advisory services to RDMID for:
  - (a) revising the geometric design standards for main secondary and local roads;
  - (b) developing maintenance standards and associated method specifications for all road classes;
  - (c) reviewing and developing RDMID's organizational structure including its technical and data services, finance, programming and budgeting, human resource



management, environmental compliance and promoting public participation in road management; and

(d) financing auditing, training and incremental operating costs of TRRC.

4. Training traffic police in traffic law enforcement and providing it with traffic safety equipment.

Part C: Designing and Supervising Road Rehabilitation

Designing and supervising road works, preparing mid-term review and project evaluation reports for the first year of the Project.

\* \* \*

The Project is expected to be completed by April 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II of the Procurement Guidelines, and the following additional procedures:

1. Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$600,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines and the following additional provisions:

(a) the bidding period should not be less than 30 days from the date of publication of the Invitation to Bid or the date of issuance of the bidding documents to the bidders, whichever is later;

(b) pre-qualification shall not be used for simple goods and works but shall be conducted for large and complex works;

(c) bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g. mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract;

(d) bidding documents shall be made available to all bidders who are willing to pay the required fee;

(e) state-owned enterprises in Georgia shall be permitted to bid only if they are legally and financially autonomous and operate under commercial law;

(f) the opening of bids shall follow immediately after the deadline for bid submission and bidders' representatives should be permitted to attend;

(g) a single envelope procedure shall be used for the submission of bids for goods and works;

(h) procuring entities shall use the Association's regional standard NCB documents, which shall be satisfactory to the Association prior to their issuance to bidders;

(i) bid and performance securities shall be in an amount appropriate to the estimated value of the contract and in a form acceptable to the government;

(j) evaluation of bids shall be based on quantifiable criteria, clearly defined in the bidding documents. Responsiveness of the bid to the interests of the country, the region or the procuring entity is not an acceptable criteria;

(k) contracts for long duration (more than 18 months) shall contain appropriate price adjustment provisions;

(l) rebidding shall not be carried out without the Association's prior concurrence; and

(m) contracts shall be awarded to the lowest evaluated bidder.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

3. Direct Contracting. Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Association's prior agreement, be procured in accordance with the provisions of said paragraphs.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely of national consultants.

#### B: Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees and meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded

to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

A. Prior Review. The following review procedures shall apply to contracts for which the Procurement Plan provides for prior review by the Association:

1. Goods, Works and Services (other than Consultants' Services). The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to contracts for goods, works or services (other than consultants' services). However, if such contracts are to be procured on the basis of direct contracting procedures, the following procedures shall apply instead: (a) prior to the execution of such contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract for its approval; (b) the contract shall be awarded only after the Association's approval shall have been given; and (c) the procedures set forth in paragraphs 2(h) and 3 of Appendix 1 to the Guidelines shall apply.

2. Consultants' Services Provided by Firms. The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to contracts for consultants' services provided by firms. However, if such contracts are to be procured on the basis of single source selection, the following procedures shall apply instead: (a) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (b) the contract shall be awarded only after the Association's approval shall have been given; and (c) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

B. Post Review. The following post review procedures shall apply to all contracts for which the Procurement Plan does not provide for prior review by the Association:

1. With respect to contracts for goods, works or services (other than consultants' services), the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to contracts for consultants' services, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

#### Part A: Institutional Arrangements

1. The Borrower shall:
  - (a) designate RDMID with the overall responsibility for project management and shall provide RDMID with the resources and staff necessary for implementing the Project; and
  - (b) require TRRC to carry out the financial management and procurement of the Project in accordance with the Implementation Agreement between TRRC and RDMID referred to in Part B.1(c) to this Schedule and shall provide suitable offices to TRRC for the duration of the Project.

#### Part B: Implementation Arrangements

1. The Borrower shall:
  - (a) not later than December 31, 2004, appoint project auditors under terms of reference satisfactory to the Association;
  - (b) not later than September 30, 2006, establish four to six RDMID regional offices with staff and responsibilities acceptable to the Association;
  - (c) not later than December 31, 2004, require TRRC and RDMID to enter into an Implementation Agreement satisfactory to the Association and the Borrower outlining the obligations of both parties as they relate to project implementation; and
  - (d) permit the use of standards recommended by the European Committee for Standardization on construction, planning and design of roads and highways (in addition to the national standards) in the design, construction and maintenance of road works under the Project.

Part C: Project Monitoring and Evaluation

1. The Borrower shall, through RDMID:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, the road conditions and achievement of other road sector objectives in accordance with Monitoring and Evaluation Indicators and the Environmental Management Plan for the carrying out of the Project and the achievement of the objectives thereof;

(b) promote public participation including the involvement of the Road Management Committees in the planning and monitoring of local roads program;

(c) promote public participation in the development of the five year road program and monitor its implementation and impact;

(d) develop environmental management guidelines satisfactory to the Association to ensure implementation of the EMP;

(e) ensure that for any contracts for road works under this Project: (i) no land is taken or persons displaced as a result of carrying out the road works; and (ii) procedures satisfactory to the Association for ensuring protection of cultural property and/or chance finds are incorporated into the contracts;

(f) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, and 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 protection of the environment and the achievement of the objectives thereof during the period following such date;

(g) publish an annual report within 90 days of each calendar year outlining in sufficient detail RDMID's previous year's accomplishments and its forthcoming five year road program;

(h) review with the Association, by September 30, 2006, or such later date as the Association shall request, the report referred to in paragraph (e) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter; and

(i) not later than 30 days after the end of each quarter, submit to the Association a quarterly progress report, in a format satisfactory to the Association outlining progress made in the implementation of the Project.



## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories 1-4 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 \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,300,000 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 the equivalent of SDR 4,000,000.
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.