

CONFORMED COPY

CREDIT NUMBER 3632 ET

Development Credit Agreement

(Cultural Heritage Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 25, 2002

CREDIT NUMBER 3632 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 25, 2002, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Borrower) and 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 (the Project), 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), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

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) “ARCCH” means the Borrower’s Authority for Research and Conservation of Cultural Heritage established by Proclamation No.209/2000;

(b) “Birr” means the currency of the Borrower;

(c) “ETC” means the Ethiopian Tourism Commission, established by Proclamation No. 11/1995 for the promotion and development of tourism in the Borrower’s territory;

(d) “Financial Monitoring Report” and “FMR” mean each report prepared in

accordance with Section 4.02 of this Agreement;

(e) “Fiscal Year” and “FY” mean the fiscal year of the Borrower commencing July 8 and ending July 7 of the next following year;

(f) “MOFED” means the Borrower’s Ministry of Finance and Economic Development;

(g) “MYSC” means the Borrower’s Ministry of Youth, Sports and Culture;

(h) “NBE” means the National Bank of Ethiopia, the Borrower’s central bank;

(i) “PCU” means the Project Coordination Unit referred to in paragraph 1 of schedule 4 to this Agreement;

(j) “PIP” means the Project Implementation Plan referred to in paragraph 1 of schedule 4 to this Agreement, containing, inter alia, guidelines and procedures to be used for the purpose of implementation of the Project, including financial, accounting, and disbursement procedures, as may be amended from time to time in consultation with the Association, and such term includes any schedules to PIP;

(k) “Project Account” means the Account referred to in Section 3.03 of this Agreement;

(l) “Project Year” and “PY” mean each twelve month period during Project implementation, starting from the date after the Effective Date and ending twelve months thereafter and each subsequent twelve month period after it; and

(m) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to four million one hundred thousand Special Drawing Rights (SDR 4,100,000).

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 the NBE, the ARCCH special account for Parts A and B of the Project and the ETC Special account for Parts C and D of the Project, both on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be January 15, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 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 May 1 and November 1 commencing May 1, 2012 and ending November 1, 2041. Each installment to and including the installment payable on November 1, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as

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

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

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

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

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

ARTICLE III

Execution of the Project

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

- (i) shall cause ARCCH to carry out Parts A and B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and cultural preservation practices and with due regard to environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the

Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Parts A and B of the Project; and

- (ii) shall cause ETC to carry out Parts C and D of the Project, with due diligence and efficiency, in conformity with appropriate administrative, financial, and technical practices, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ETC to carry out Parts C and D of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Parts C and D of the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until completion of the Project, an account (the Project Account) in a commercial bank on terms and conditions acceptable to the Association;

(b) deposit an initial amount of \$50,000 equivalent into the Project Account and thereafter, at quarterly intervals, deposit into the Project Account the estimated amount required to finance the Borrower's contributions to the cost of the Project in the following quarter, or any other amount as may be agreed between the Borrower and the Association, in accordance with the annual work plan referred to in paragraph 5 (d) of Schedule 4 to this Agreement; and

(c) ensure that the amounts deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively for the Borrower's counterpart expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before 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

continued achievement of the Project's objectives; 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 a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, 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 Financial Monitoring Reports and statements of expenditure, the Borrower shall:

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

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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 Financial Monitoring Reports and statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 5 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and thereafter not later than 45 days after each calendar quarter a Financial Monitoring Report for such period, in form and substance satisfactory to the Association which:

- (i) sets forth actual and projected 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 projected and actual sources and 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 previously forecast and actual implementation targets; 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

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:

the Borrower has established the PCU and appointed the Project Coordinator, Assistant Project Coordinator, Accountant and Procurement Specialist, all with experience and qualifications satisfactory to the Association; and has employed them in accordance with the provisions of Section II of Schedule 3 to this Agreement;

the Borrower had opened the Project Account referred to in Section 3.03 (a) and deposited therein the amounts referred to in Section 3.03 (b); and

the Borrower has established a Financial Management and Accounting system satisfactory to the Association for the Project.

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 Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Minister of Finance and Economic Development
Ministry of Finance and Economic Development
P.O. Box 1905
Addis Ababa,
Federal Democratic Republic of Ethiopia

Cable address:

Telex:

Facsimile:

21147

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

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Sufian Ahmed
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ishac Diwan
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

General

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	575,000	90%
(2) Goods and equipment	525,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants'	2,050,000	100%

	services		
(4)	Training	400,000	100%
(5)	Operating costs	325,000	90%
(6)	Unallocated	225,000	
	TOTAL	4,100,000	

2. For the purposes of this Schedule:

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

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

(c) “operating costs” means the incremental expenses incurred on account of Project implementation, management, monitoring and auditing, including office supplies, vehicles and equipment operation, transport, travel, per diem and supervision costs but excluding salaries of officials of the Borrower’s civil service.

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: (i) for expenditures under contracts for works and goods not exceeding \$100,000 equivalent each; (ii) for expenditures under contracts for consultants’ services provided by firms not exceeding \$100,000 equivalent each; (iii) for expenditures under contracts for consultants services provided by individuals not exceeding \$50,000 equivalent each; and (iv) for expenditures for training and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to test out and develop, on a pilot basis, the means for more fully integrating the conservation and management of the Borrower’s cultural heritage into local and national economic development.

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: Site Planning and Conservation

1. Preparation of a conservation plan and implementation of the plan on a pilot basis for the walled fortress palace complex of *Fasil Ghebbi* in *Gondar* and adjacent areas to identify priorities for future site conservation activities, including strengthening the involvement of the community in planning, conservation and management of the palace complex.
2. Strengthening the capacity for site planning and interpretation through the provision of training.
3. Preparation of a conservation plan and implementation of the plan on a pilot basis for *Axum's* archeological sites, including the development of plans for an expanded museum and the provision of training at both national and regional levels in curation skills.

Part B: Inventory and Documentation Development

1. Building capacity for establishing a better information base about cultural assets for purposes of planning, conservation and threat mitigation, including carrying out pilot inventories in *Tigray, Amhara* and *Oromiya* regions.
2. Carrying out of workshops to gain consensus about core national standards and methodologies.
3. Developing the capacity within ARCCCH to provide specific rapid assessment capabilities in advance of the establishment of infrastructure and other development activities which might threaten cultural and historic sites.

Part C: Artisanal Crafts Development

Provision to artisans of design guidance, technical skills, business training and direct market links to generate sales to local, tourist, regional and export markets and to develop the market momentum and local capacity to sustain craft industry growth, through the provision of technical advisory services and training.

Establishment of three artisanal centers in renovated historically or architecturally significant structures.

3. Development of capacity of NGOs to become involved in craft development and marketing through the provision of technical advisory services and training.

Part D: Institutional building for Project Management and Monitoring

1. Support for the establishment and operations of the PCU.
2. Development of capacity for the monitoring and evaluation of the Project.

* * *

The Project is expected to be completed by July 15, 2006.

SCHEDULE 3

Procurement and Consultant's Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines).

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

3. Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

4. Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto

shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$400,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

4. Procurement from UN Agencies

Goods and equipment estimated to cost less than \$50,000 equivalent per contract may be procured from the United Nations Interagency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (i) each contract procured under international competitive bidding procedures and estimated to cost the equivalent of \$100,000 or more, and (ii) the first 3 contracts procured under national competitive bidding procedures the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines).

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than: (a) \$100,000 equivalent per contract for consulting firms, and (b) \$50,000 equivalent per contract for individual consultants may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines

3. Individual Consultants

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

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for: (i) the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, (ii) each contract for services using single source and (iii) each contract for training, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply;

(b) With respect to each contract for services using single source procedures, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply; and

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Institutional and organizational arrangements

1. Except as the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the provisions of the PIP and in accordance with the annual work plans to be established in accordance with the provisions of paragraph 5 (d) of this Schedule. Such PIP shall not be amended or waived, in whole or in part, in a manner which in the opinion of the Association, would materially and adversely affect the execution of the Project or the achievement of its objectives.

2. The Borrower shall maintain until completion of the Project, the Steering Committee, chaired by the ETC with representation *inter alia* from MOFED, ARCCCH, the Ethiopian Orthodox Church, the Supreme Islamic Council and regional cultural and tourism. The Steering Committee shall be responsible for overseeing Project performance and progress, reviewing and approving annual work plans, evaluating project impact on the basis of the performance indicators referred to in Schedule 6 to this Agreement, and providing guidance about the overall scope and direction of the Project. The Steering Committee shall meet at least on a semiannual basis.

3. The Borrower shall establish and maintain until completion of the Project a PCU within the Planning Division of the ETC. The PCU shall be responsible for the overall project administration, financial management, procurement, monitoring and evaluation and supervision. The PCU shall comprise a project Coordinator assigned by ETC, an Assistant Project assigned by ARCCCH, an Accountant, a Procurement Specialist and a Monitoring and Evaluation Specialist, all with qualifications and experience satisfactory to the Association.

4. For purposes of: (i) Parts A and B of the Project, ARCCCH shall work closely with the regional cultural bureaus in *Tigray, Amhara* and *Oromiya* and (ii) Parts C and D of the Project, ETC shall work closely with the regional cultural bureaus in *Tigray, Harrar, Amhara* and

Addis-Ababa.

Reviews

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 15 in each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by June 30 in each year or such later date as the Association shall request, the report referred to in paragraph (b) 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;

(d) furnish to the Association by March 15 in each year a draft annual work plan; and

(e) review with the Association by June 30 in each year such annual work plan and carry out the Project in accordance with the annual work plan as agreed with the Association.

6. The Borrower shall: (a) not later than September 30, 2004 carry out jointly with the Association a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the Project; (ii) the results of the monitoring and evaluation activities; and (iii) the potential replicability of Project activities on a wider scale;

(b) three months before such review, prepare and furnish to the Association reports in scope and detail satisfactory to the Association, needed to undertake the review, including preparation of a program of actions to deal with deficiencies in Project implementation identified prior to such review; and

(c) based on such review promptly prepare an action plan satisfactory to the Association for further implementation of the Project, and thereafter implement such action plan.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) in respect of the ARCCH Special Account and Categories (1) through (5) in respect of the ETC Special Account, all 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 equivalent to \$250,000 in respect of the ARCCH Special Account for the Project and an amount equivalent to \$ 250,000 in respect of the ETC Special Account, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of each 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 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 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 any 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 for the Special Account, 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 any 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 any 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 any 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 Accounts.

(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 6

Performance Indicators

For the purpose of this Agreement and unless the Association agrees otherwise, the performance indicators to be used for Project Implementation are as follows:

1. Comprehensive site conservation and interpretation plans are completed for *Axum* and *Gondar* and the first phase of site conservation and interpretation activities is launched, in particular taking into account municipal planning efforts.
2. Local communities living within old Axum and in Gondar, municipal authorities, and the church in Axum and Gondar are involved in preparation of their respective site plans, have participated in a series of meetings and decisions during plan development, and see themselves as beneficiaries of the proposed plan.
3. A plan for museum development, including site identification, architectural designs and a proposed budget, is completed for a museum in Axum; 12 national and regional staff are trained in museum curation.
4. The community in Gondar has clearly defined access to and use of structure in the Fasil Ghebbi complex, and perceive an increase in benefits (as individuals or as a community) as a result of their proximity to this World Heritage site. An information and documentation center is established in Gondar and linkages are developed with local schools curricula.
5. Site interpretation work is completed in Gondar and Axum.

6. Core national standards and guidelines are established for inventory and documentation of cultural assets through an iterative process with key national, regional and local stakeholders.
 7. Pilot inventories are completed in Tigray, Amhara and Oromiya regions, prepared jointly by ARCCH and regional staff. Capacity at the national, regional, and local levels is increased to carry out inventories.
 8. Guidelines are prepared outlining how threats to important cultural sites (from development activities) can be assessed and mitigated. Capacity is strengthened for site assessment and mitigation, on the basis of pilot activities carried out in Oromiya region (or another region to be agreed with the Association).
 9. Three artisanal craft centers are established in Harar, Addis Ababa and in Axum where artisans execute, display and sell craft products.
 10. Income to craftspeople from the sale of crafts is increased by the development of local, national, and export markets. Capacity for business planning and marketing amongst craftspeople is increased.
 11. Ethiopian craft products are marketed at 4 major international venues. Marketing and business plans are developed for each craft center.
- 