

CONFORMED COPY

CREDIT NUMBER 2809 GE

Development Credit Agreement
(Transport Rehabilitation Project)

between

REPUBLIC OF GEORGIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 31, 1996

CREDIT NUMBER 2809 GE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 31, 1996, between REPUBLIC OF GEORGIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to contract from the European Union, the World Food Program and other bilateral donors grants in an amount equivalent to about \$8 million to assist in financing the Project and related activities; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated

January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "TRRC" means the Borrower's Center on the Problems of Euro-Asian Transport Corridor, established according to Order N-119, dated April 16, 1995;

(b) "Highway Concern" means the public enterprise established pursuant to Law on the Highways, dated November 11, 1994;

(c) "Railway Department" means the public enterprise established pursuant to Law on the Railway Transport, dated May 12, 1994;

(d) "Highway Concern Implementation Agreement" means the agreement to be entered into by the Borrower and the Highway Concern in accordance with the provisions of Section 3.01 (c) of this Agreement, as the same may be amended from time to time;

(e) "Highway Concern Subsidiary Loan" means the loan to be provided out of the proceeds of the Credit to the Highway Concern under the Highway Concern Implementation Agreement;

(f) "Railway Department Implementation Agreement" means the agreement to be entered into by the Borrower and the Railway Department in accordance with the provisions of Section 3.01 (d) of this Agreement, as the same may be amended from time to time;

(g) "Railway Department Subsidiary Loan" means the loan to be provided out of the proceeds of the Credit to the Railway Department under the Railway Department Implementation Agreement;

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

(i) "Project Account" means the account referred to in Section 6.01 (e) of this Agreement; and

(j) "Lari" means the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to

in the Development Credit Agreement, an amount in various currencies equivalent to eight million one hundred thousand Special Drawing Rights (SDR 8,100,000).

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 described in Schedule 2 to this Agreement 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 acceptable to the Association 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 June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty (60) 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 or 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 payment 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 per cent (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 semi-annually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1 commencing March 1, 2006 and ending September 2030. Each installment to and including the installment payable on September 2015 shall be one and one-fourth per cent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have

exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A.1 through A.3 of the Project through TRRC and shall cause, under the overall supervision and coordination of TRRC, the Highway Concern to carry out Parts A.4 and B.1 of the Project and the Railway Department to carry out Parts A.5, B.2 and B.3 of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) For the purpose of carrying out Parts A.4 and B.1 of the Project, the Borrower shall enter into an implementation agreement with the Highway Concern (Highway Concern Implementation Agreement) on terms and conditions acceptable to the Association, including provisions setting forth the responsibilities of the Highway Concern in respect of the carrying out of Parts A.4 and B.1 of the Project and the onlending of the proceeds of the Credit withdrawn in respect of Parts A.4 and B.1 of the Project to the Highway Concern under the following principal terms of the Highway Concern Subsidiary Loan:

- (i) the principal amount repayable by the Highway Concern shall be the equivalent (determined as of the date or the respective dates of repayment) of the value of the currency or currencies withdrawn from the Credit Account or paid out of the Special Account expressed

in Dollars at the time of withdrawal on account of the cost of services, goods and works financed out of such proceeds for Parts A.4 and B.1 of the Project;

- (ii) the principal amount of the Highway Concern Subsidiary Loan to be repaid in Lari;
- (iii) interest on the principal amount thereof payable at the fixed rate of at least 7.07% per annum; and
- (iv) the principal amount of the Highway Concern Subsidiary Loan to be repaid over a period of five years following a grace period of one year.

(d) For the purpose of carrying out Parts A.5, B.2 and B.3 of the Project, the Borrower shall enter into an implementation agreement with the Railway Department (the Railway Department Implementation Agreement) on terms and conditions acceptable to the Association, which shall include adequate provisions setting forth the responsibilities of the Railway Department in respect of the carrying out of Parts A.5, B.2 and B.3 of the Project and the onlending of the proceeds of the Credit withdrawn in respect of Parts A.5, B.2 and B.3 of the Project to the Railway Department under the following principal terms of the Railway Department Subsidiary Loan:

- (i) the principal repayable by the Railway Department shall be the equivalent (determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Credit Account or paid out of the Special Account on account of the cost of services, goods and works financed out of such proceeds for Parts A.5, B.2 and B.3 of the Project;
- (ii) the principal amount of the Railway Department Subsidiary Loan to be repaid in Lari, determined as of the date or respective dates of repayment;
- (iii) interest on the principal amount thereof payable at the fixed rate of at least 7.07% per annum; and
- (iv) the principal amount of the Railway Department Subsidiary Loan to be repaid over a period of no more than five years following a grace period of no more than one year.

(e) The Borrower shall exercise its rights under the Highway Concern Implementation Agreement and the Railway Department Implementation 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 such agreements or any provision thereof.

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. For the purposes of Section 9.07 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project; and

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

Section 3.04. (a) By October 31, 1996, the Borrower shall complete and furnish to the Association a pavement management study, which shall include recommendations for the adjustments of road user charges to be made on the basis of the assessed maintenance needs.

(b) By January 31, 1997, the Borrower and the Association shall exchange views on the results of the study referred to in sub-paragraph (a) of this Section.

(c) By June 30, 1997, the Borrower shall revise its road user charges to such levels as shall be appropriate for the maintenance of its primary road network.

Section 3.05. By March 15, 1996, the Borrower shall establish and, thereafter, operate: (i) a system of collections satisfactory to the Association of road user charges at border crossings; and (ii) a nationwide fuel quality standards monitoring system for gasoline.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

expenditures;

- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) The Highway Concern or the Railway Department shall have failed to perform any of their respective obligations under the Highway Concern Implementation Agreement or the Railway Department Implementation Agreement.

(b) 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 Highway Concern or the Railway Department will be able to perform their respective obligations under the Highway Concern Implementation Agreement or the Railway Department Implementation Agreement.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Highway Concern or the Railway Department or for the suspension of their operations.

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

(a) an event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Highway Concern Implementation Agreement has been

executed on behalf of the Borrower and the Highway Concern;

(b) the Railway Department Implementation Agreement has been executed on behalf of the Borrower and the Railway Department;

(c) both the Highway Concern and the Railway Department have appointed a project manager, a project preparation officer, a contract manager and a financial officer;

(d) TRRC has appointed a deputy director, an accountant, a procurement officer and a transport specialist; and

(e) the Borrower has opened the Project Account in a commercial bank and deposited an amount in the equivalent of \$200,000 into the Project Account.

Section 6.02. The following are specified as additional matters within the meaning of Section 12.02 (b) of the General conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Highway Concern Implementation Agreement has been duly authorized or ratified by the Borrower and the Highway Concern and is legally binding upon the Borrower and the Highway Concern in accordance with its terms; and

(b) that the Railway Department Implementation Agreement has been duly authorized or ratified by the Borrower and the Railway Department and is legally binding upon the Borrower and the Railway Department 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance or the Deputy Minister of Finance responsible for Foreign Credits 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
170 Barnov Str.
380062 Tbilisi
Republic of Georgia

Telex:

212348 MOFIN SV

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GEORGIA

By /s/ Tedo Japaridze

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Basil Kavalsky

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part B.1 of the Project	1,590,000	57%
(2) Goods for:) 100% of foreign) expenditures,
(a) Railway track material	840,000) 100% of local) expenditures (ex-) factory cost) and
(b) Materials and spare parts for:) 80% of local) expenditures
(i) Highway Concern	1,660,000)
(ii) Railway Department	240,000)
(c) Office equipment and vehicles for)
(i) TRRC	150,000)
(ii) Highway Concern	130,000)
(d) Emission monitoring and control	150,000)
(3) Consultants' services and training under		100%
(a) Parts A.1 through A.3 of the Project	410,000	
(b) Part A.4 of the	880,000	

Project		
(c) Part A.5 of the Project	10,000	
(4) Operating cost of TRRC	140,000	100%
(5) Unallocated	1,900,000	
	<hr/>	
TOTAL	8,100,000	
	=====	

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) the term "operating cost" means expenditures on account of the Project of TRRC for utilities, salaries (excluding salaries of state employees), transport and per diems of its staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made for expenditures under Category 1 of the table set forth in paragraph 1 of this Schedule unless the Association has received an implementation program and time based schedule for the privatization of the road maintenance and construction units of the Highway Concern, satisfactory to the Association; and (c) payments made for expenditures under Categories 2(b) (ii) and 3 (c) of the table set forth in paragraph 1 of this Schedule unless the Association has received and approved the investment program for the railway sub-sector, including the activities and work program to be carried out under Part B.3 of the Project in such detail as the Association shall reasonably request.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and services under contracts not exceeding \$100,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to start the adjustment of the transport sector policies and restructuring of its institutions to the needs of a market economy and to repair and maintain some of the most critical sections of the transport network.

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: Institution Building Component

1. Provision of assistance for the formulation of transport policy reform and a program for the privatization of transport enterprises, and for the formulation of technical and legal frameworks necessary for the restructuring, commercialization

and privatization of entities in the transport sector.

2. Provision of assistance, office equipment and vehicles for the operation of the Transport Reform and Rehabilitation Center responsible for the coordination of activities under the Project, transport policy formulation and transport sector reform.

3. Provision of assistance for the formulation of a policy for the commercialization of ports and definition of related policy of adjustments and institutional reforms.

4. Provision of assistance for: (i) the elaboration of a revised road user charge system; (ii) the improvement of road user collection performance and procedures; (iii) formulation and implementation of a program of privatization of road construction and maintenance units currently within the Highway Concern; and (iv) establishment of a framework for the preparation, bidding and management of road work contracts.

5. Provision of assistance for the formulation and implementation of a financial restructuring and adjustment plan for the railway sub-sector and carrying out of seminars on modern railway management practices.

Part B: Investment Component

1. Carrying out of urgent road repairs, including road clearing, drainage rehabilitation, surface dressing and selected bridge rehabilitation, on about 1,000 km of roads.

2. Carrying out of works needed to stabilize and protect railway bridges, and rehabilitation and improvement of communication and signaling equipment.

3. Carrying out of urgent railway network repairs, including rails and sleepers renewal works on selected sections of the railway network.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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:

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the

equivalent of \$200,000 or more each.

(b) Preference for domestic bidders

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

Works estimated to cost less than \$450,000 equivalent per contract, up to an aggregate amount not to exceed \$5 million equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and the Borrower shall use the Standard Bidding Documents, Procurement of Works, Smaller Contracts, issued by the Bank in September 1995 with minimum changes, acceptable to the Association, as necessary.

2. International or National Shopping

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1 million equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$650,000 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.

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 each contract estimated to cost the equivalent of \$100,000 or more, 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents

have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$50,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$25,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$50,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$25,000 equivalent or above, it being understood, however, that the aggregate amount of contracts for employment of individuals shall not exceed \$200,000.

SCHEDULE 4

Implementation Program

1. The Borrower shall cause the Highway Concern and the Railway Department to carry on their operations and conduct their affairs in accordance with sound financial, administrative and engineering practices under supervision of qualified and experienced management, including a project manager, a project preparation officer, a contract manager and a financial officer and assisted by competent staff in adequate numbers.

2. The Borrower shall maintain the Project Account and make quarterly deposits therein to reconstitute a balance of no less than the equivalent of \$200,000.

3. The Borrower shall take all measures required to implement the environmental mitigation plan, agreed upon with the Association.

4. Without any limitation or restriction upon the obligations of the Borrower under Section 9.06 of the General Conditions, the Borrower shall furnish to the Association quarterly progress reports on the activities carried out under the Project, including progress on Project targets and performance indicators agreed upon with the Association.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, 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 June 30, 1997, 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; and

(c) review with the Association, by July 15, 1997, 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited in 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 \$250,000 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 3 million.

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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in 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, less the amount of any outstanding special commitment 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.

