

CONFORMED COPY

CREDIT NUMBER 3193 WSO

Development Credit Agreement

(Infrastructure Asset Management Project)

between

INDEPENDENT STATE OF SAMOA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 21, 1999

CREDIT NUMBER 3193 WSO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 21, 1999, between INDEPENDENT STATE OF SAMOA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated February 16, 1999, from the Borrower describing a program designed to ensure the safe, reliable and efficient operation of its key infrastructure assets and to improve the physical and financial management of those assets (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support the Borrower's execution of the Program through a series of loans over a period of approximately eight years, to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) Part A of the Project will be carried out by Samoa Airport Authority ("SAA") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SAA a portion of the proceeds of the Credit as provided in this Agreement; and

(E) by agreement of even date herewith (the AusAID Grant Agreement), the Australian Agency for International Development (AusAID) has agreed to make a grant to the Borrower (the AusAID Grant) in an aggregate principal amount of AUD 2,300,000 to assist in financing Part D.1 of the Project; and

(F) The Government of Australia (Australia) and the Association have entered into an agreement of even date herewith (Administration Agreement) pursuant to the Cofinancing, Technical Assistance and Consultant Trust Fund Framework Agreement dated May 29, 1996 among Australia, the International Bank for Reconstruction and Development and the Association, making arrangements for the Association to process applications for withdrawal of the proceeds of the financing to be provided by AusAID and the Association and regulating certain other matters of common interest in connection with such financing;

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

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 December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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."

(c) 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 and initial operation 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 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 wherever used in this Agreement have the following meanings:

(a) "DLSE" means the Borrower's Department of Lands, Surveys and Environment and any successor thereto.

(b) "PMU" means the Project Management Unit to be established and maintained under contract to the Treasury Department with responsibility for oversight of project implementation in accordance with Paragraph 1(b) of Schedule 4 to this Agreement.

(c) "Project Agreement" means the agreement between the Association and SAA of even date herewith, as the same may be amended from time to time, and such term includes all agreements supplemental to the Project Agreement.

(d) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(e) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 8, 1998 and April 16, 1998 between the Borrower and the Association.

(f) "PWD" means the Borrower's Public Works Department, and any successor thereto.

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

(h) "Steering Committee" means the Committee established and operating by directive of the Financial Secretary dated November, 1997 and to be maintained pursuant to Paragraph 1(a) of Schedule 4 to this Agreement;

(i) "Statutes" means the Airport Authority Act of 1984, as amended to the date of this Agreement; and

(j) "Sub-projects" means the specific road infrastructure rehabilitation projects to be carried out under Part B of the Project and coastal zone infrastructure projects to be carried out under Part C of the Project, and "Sub-project" means any one of the Sub-projects;

(k) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and SAA. pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time; and

(l) "TCB" means the Borrower's Transport Control Board.

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 ten million three hundred thousand Special Drawing Rights (SDR 10,300,000).

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 its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2002 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 February 1 and August 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 semi-annual installments payable on each February 1 and August 1 commencing August 1, 2009 and ending February 1, 2039. Each installment to and including the installment payable on February 1, 2019 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, through PWD, carry out Parts B, C.3, D.1 and D.2 of the Project; through DLSE, carry out Parts C.1, C.2 and D.4 of the Project; through TCB, carry out Part D.3 of the Project; and through the Treasury Department, carry out Part E of the Project, all with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project; and

(ii) without any limitation or restriction upon any of its other obligations under the Credit Agreement, shall cause SAA to carry out Parts A and D.5 of the Project, to perform in accordance with the provisions of the Project Agreement all of its obligations therein set forth, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable SAA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 the Project to be carried out in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) For the purposes of Parts A and D.5 of the Project, the Borrower shall relend the proceeds of the Credit allocated from time to time to Categories 1(a), 2(a), and 3(a) of the table in paragraph 1 of Schedule 1 to this Agreement to SAA under a subsidiary loan agreement to be entered into between the Borrower and SAA (the Subsidiary Loan Agreement) under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(i) the principal amount of the subsidiary loan shall be repaid by SAA in local currency to the Borrower in equal semi-annual installments over thirty years, including a grace period of five years;

(ii) the principal amount of the subsidiary loan repayable by SAA shall be the equivalent in local currency (determined as of the date, or respective dates, of withdrawal) 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 outstanding balance of the subsidiary loan at a rate equal to five percent (5%); and

(iv) a foreign exchange risk fee shall be charged on the outstanding balance of the subsidiary loan at a rate equal to one percent (1%).

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the

Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. 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. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by SAA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. 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 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 Program'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 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 (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) 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 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) 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of

this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than June 30, 2001 or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

(b) SAA shall have failed to perform any of its obligations under the Project Agreement.

(c) 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 SAA will be able to perform its obligations under the Project Agreement.

(d) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of the AusAID Grant or any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

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

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

(b) that the event specified in paragraph (d)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d)(ii) of that Section;

(c) that the events specified in paragraphs (d) or (e) 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) that the PMU shall have been established, its Project manager and Project accountant appointed, and a Project accounting system satisfactory to the Association shall have become operational, in accordance with Paragraph 1(b) of Schedule 4 to this Agreement;

(b) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and SAA; and

(c) that the AusAID Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Credit Agreement, have been fulfilled.

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

(a) that the Project Agreement has been duly authorized or ratified by SAA, and is legally binding upon SAA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by Borrower and SAA and is legally binding upon the Borrower and SAA in accordance with its terms.

Section 6.02. 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 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:

Treasury Department
Ministry of Finance
P.O. Box Private Bag
Apia, Samoa

Cable address:

Telex:

233 TREASURY SX

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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.

INDEPENDENT STATE OF SAMOA

By /s/ Tuiloma Neroni Slade

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Klaus Rohland

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 and the AusAID Grant, the allocation of the amounts of the Credit and the AusAID Grant 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)	Amount of The AusAID Grant Allocated (Expressed in AUD Equivalent)	% of Expenditures to be Financed
(1)(a) Works under Part A of the Project	2,300,000		70%
(b) Works under Parts B & C of the Project	2,100,000		70%
(2)(a) Goods and vehicles of under Part A (ex- of the Project 80% expenditures	900,000)100% of foreign)expenditures, 100%)local expenditures)factory cost) and)of local
(b) Goods under procured Parts C & D(1)-(4) of the Project	700,000)for other items)locally))

(3)(a) Consultants' Services under Parts A and D.5 of the Project	600,000	100%
(b) Consultants' Services under Parts B, C, D(2)-(4) and E of the Project	1,900,000	100%
(c) Consultants' Services under Part D.1 of the Project	2,300,000	85%
(4) Refunding Project Preparation Advance	300,000	Amounts due Pursuant to Section 2.20 (c) of this Agreement
(5) Unallocated	1,300,000	
TOTAL	10,300,000	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,000,000 may be made on account of payments made for expenditures before that date but after July 1, 1998.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$100,000 equivalent, and for works under contracts costing less than \$1,000,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) ensure the safe, reliable and efficient operation of the Borrower's international airport at Faleolo; (ii) improve the management of air, road and coastal infrastructure in order to ensure the efficient and safe operation of the Borrower's transport system, and to limit damage to the coastal zone and associated infrastructure; (iii) support public sector reform and increased private sector participation in the provision of infrastructure; and (iv) strengthen the environmental management of infrastructure activities.

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: Airport Infrastructure

Upgrading the safety, reliability, capacity and operational efficiency of Faleolo International Airport, including rehabilitation and extension of the runway, taxiway and apron, construction of seawall protection, drainage works, recabling of lights, improvement of terminal, control tower and fire station facilities, and provision of fire emergency vehicles.

Part B: Road System Infrastructure

Carrying out a program of specific rehabilitation projects to upgrade the Borrower's road transport system, through replacement of obsolete bridges on primary roads, rehabilitation or upgrading of primary roads, and construction of road safety and pedestrian facilities.

Part C: Coastal Infrastructure

- (1) Development and introduction of a strategy for managing coastal infrastructure and improving related environmental management;
- (2) Updating of the geographic knowledge base; and
- (3) Carrying out a pilot program of specific investment projects for coastal protection in participating communities.

Part D: Institutional Development

Development and implementation of a program to reform the institutions for the provision of public infrastructure through:

- (1) the restructuring of PWD, strengthening of the private sector, implementation of asset management systems, preparation of a road development plan, and appraisal of priority subprojects;
- (2) development of asset and information management protocols and systems;
- (3) implementation of a traffic and road safety action plan;
- (4) analyzing institutional reform options for DLSE; and
- (5) institutional strengthening and capacity building of the SAA.

Part E: Program Management

Strengthening PMU's capacity for managing the implementation of the Project, through provision of consultants' services and equipment for the PMU, and preparation of the second phase of the Program.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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 and in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and (b) the following provisions of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to

"Participating Countries" and "Participating Country".

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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for each contract for works estimated to cost \$1,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods

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 (other than specialized asset management equipment and software) estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000, and works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$5,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Limited International Bidding

Specialized asset management equipment and software estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.2 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 for goods estimated to cost the equivalent of \$100,000 or more; each contract for goods to be awarded by limited international bidding; each contract for works estimated to cost the equivalent of \$1,000,000 or more; and the first two contracts for works to be awarded by national competitive bidding procedures each year, 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

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

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.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection.

Services for the minor airports study of SAA under Part D.5 of the Project, 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.

2. Individual Consultants.

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall 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 the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, 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 the employment of consulting firms estimated to cost less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants, 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.

Implementation Program

1. (a) The Borrower shall maintain the Steering Committee consisting of representatives from DLSE, PWD, SAA, TCB and the Treasury Department, with organization and terms of reference satisfactory to the Association, to monitor the progress of the Project and to coordinate its components.

(b) The Borrower shall establish and thereafter maintain the PMU headed by a Project manager with qualifications and experience satisfactory to the Association, assisted by an accountant with qualifications and experience satisfactory to the Association and such other competent staff in adequate numbers having such functions, responsibilities, funds and other facilities as shall be required to enable the PMU to undertake the overall supervision and monitoring of the Project.

2. Within two months of the commencement of works for improvement of the terminal facilities at Faleolo Airport, the Borrower shall cause SAA to increase the departure fee to not less than 30 Samoan Talas per passenger.

3. (a) Except as the Borrower and the Association shall otherwise agree, the Borrower shall select Sub-projects which are technically and environmentally viable, and economically justified.

(b) Sub-project proposals under Part B of the Project are required to meet criteria agreed upon between the Borrower and the Association.

(c) Sub-project proposals under Part C of the Project are required to meet the following criteria:

(i) the Sub-project proposal has been publicly discussed among, and agreed to by, the inhabitants in the District where the coastal protection infrastructure is to be constructed;

(ii) the proposed Sub-project is in compliance with coastal infrastructure management strategy and coastal protection infrastructure guidelines satisfactory to the Association; and

(iii) a maintenance program for the works to be carried out under the Sub-project has been prepared in accordance with terms acceptable to the Association, which shall include assignment of maintenance responsibilities in the District, the preparation of training programs to strengthen the maintenance capabilities of the District, and the identification of available sources of financing to carry out such programs.

(d) Prior to their implementation, the Borrower shall ensure that all proposed Sub-projects under the Project are reviewed by the Land Board to determine their compliance with existing legislation and regulations of the Borrower.

(e) The Borrower shall ensure that the PMU submits proposed Sub-projects to the Association for its approval, together with a compensation plan for any proposed acquisition of land and other assets required for such Sub-project.

(f) Before carrying out any Sub-project, the Borrower shall obtain the Association's approval thereon, and ensure that any approved compensation plan has been implemented.

4. The Borrower declares its commitment to the sustainable environmental management of infrastructure assets constructed under the Program, and, to that end, shall ensure that:

(a) PWD and DLSE comply with environmental impact assessment procedures satisfactory to the Association in the design, procurement and implementation of:

(i) all works carried out under contracts awarded after December 31, 1999 pursuant to Section I of Schedule 3 to this Agreement; and

(ii) not less than 80% by value of all works carried out after June 30, 2001 that are financed by PWD and DLSE; and

(b) (i) by September 30, 1999, Codes of Environmental Practice for civil works and services, satisfactory to the Association, shall have been adopted by PWD, endorsed by DLSE and entered into effect; and

(ii) thereafter, design, procurement, and implementation of works and services under the Program shall comply with such Codes.

5. The Borrower shall endeavor, taking into account the prevailing macro-economic conditions, to ensure that adequate funding in PWD's budget is allocated and programmed for preservation of road and bridge assets in each year of the Program, including:

(i) for periodic maintenance, amounts sufficient to provide for an average resurfacing cycle of not more than seven years on sealed main roads and of not more than ten years on sealed secondary roads;

(ii) for routine maintenance, on a 3-year rolling average basis, amounts equivalent to not less than the amount allocated in 1998, adjusted for inflation.

6. The Borrower shall, by March 31, 2000, prepare and furnish to the Association and AUSAid for comment recommendations, costed justifications and an action plan, for improved delivery of works and services by PWD, including recommendations concerning options for retention of works and services within PWD, contracting out, or privatization of such works and services, as well as asset leasing; and by December 31, 2000, ensure that such recommendations, justifications and action plan, revised to take into account the Association's and AusAID's comments thereon, shall be furnished to its Cabinet for approval.

7. 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 September 1, 2000, 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 October 1, 2000, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, 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(a), 1(b), 2(a), 2(b), 3(a), 3(b) and 3(c) 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 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 \$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 SDR1,450,000.

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 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.

