CREDIT NUMBER 1783 RW

DEVELOPMENT CREDIT AGREEMENT

(Second Water Supply Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 14, 1987

CREDIT NUMBER 1783 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 14, 1987, between RWANDESE REPUBLIC (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 Republic of Austria through its Federal Ministry of Finance a loan in Austrian Shillings (the Austrian Loan) in an amount equivalent to
- \$7,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Austrian Loan Agreement) to be entered into between the Borrower and the Federal

Minister of Finance or his duly designated representative;

- (C) the Borrower intends to contract from Banque Arabe pour le Developpement Economique en Afrique (BADEA) a loan (the BADEA Loan) in an amount of \$7,250,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the BADEA Loan Agreement) to be entered into between the Borrower and BADEA;
- (D) the Borrower intends to contract from the French Republic through its Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount of about 115,000,000 French Francs equivalent to about \$16,000,000 to assist in

financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

- (E) the Borrower intends to contract from the Swiss Government a Grant (the Swiss Grant) in an amount of 115,000,000 Swiss Francs equivalent to \$7,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Swiss Grant Agreement) to be entered into between the Borrower and the Swiss Government;
- (F) the Borrower intends to contract from the African Development Fund (ADF), a loan (the ADF Loan) in an amount equivalent to \$12,500,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the ADF Loan Agreement);
- (G) the Borrower intends to contract from the United Nations Development Plan (UNDP), a grant (the UNDP Grant) in an amount of about \$700,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP; 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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

- (a) "MINITRAPE" means the Borrower's Ministry of Public Works and Energy;
- (b) "DGE" means the General Directorate of Water within MINITRAPE established under the Borrower's Presidential Arrete No. 173/06 of February 23, 1984, as may be amended from time to time;
- (c) "Commune" means an administrative subdivision of the Borrower's territory as organized under the Borrower's Law of November 23, 1963, as amended up to this day and as may be amended from time to time;
- (d) "Lava Region" means the region of that name located in the Northwest of the Borrower's territory;
- (e) "the 11 Communes of the Lava Region" means the following Communes located in such region: Nkuli, Mukingo, Kinigi, Kigombe, Nkumba, Kidaho, Rubavu, Rwerere Kanama, Mutura and Karago;
- (f) "FDC" means Fonds de Developpement Communal, the Borrower's Communal Development Fund organized under Decree-Law No. 17/77 of July 13, 1977;
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
 - (h) "FR" means Franc Rwandais, the Borrower's currency;
- (i) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31; and

(j) "Project Preparation Advance" means the project preparation advance (P406RW) granted by the Association to the Borrower pursuant to an exchange of letters dated September 12, 1986, and December 19, 1986, between the Borrower and the Association.

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 eleven million nine hundred thousand Special Drawing Rights (SDR 11,900,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special account at Banque Nationale du Rwanda 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 4 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 1994, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

- (b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.
- Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.
- Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 1997, and ending

March 15, 2037. Each installment to and including the installment payable on March 15, 2007 shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter

shall be one and one-half percent (1-1/2%) of such principal amount.

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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MINITRAPE with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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 purposes of coordinating the execution of Part A of the Project, and without any limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall: (a) establish and maintain a Project coordination unit with membership and responsibilities satisfactory to the Association; (b) appoint and maintain a Project coordinator; and (c) appoint and maintain a qualified and experienced hydraulic engineer and an accountant.

Section 3.04. The Borrower shall take all action necessary on its part to enable: (i) the organization of water users' associations at the communal level; (ii) the eventual organization of water committees composed of water users' associations representatives and of Communes officials; and (iii) the organization of intercommunal associations, all with such structure and responsibilities as shall be satisfactory to the Association.

Section 3.05. The Borrower shall:

- (a) not later than December 31, 1988, cause the 11 Communes in the Lava Region to establish two intercommunal associations; and
- (b) not later than December 31, 1989, cause the 11 Communes in the Lava Region to employ such staff as shall be necessary to manage such intercommunal associations.

Section 3.06. For purposes of financing the costs of goods and services required to carry out the Project not financed out of the proceeds of the Credit, the Borrower shall:

- (a) each year include in its proposed budget, the funds necessary to cover the Borrower's counterpart in the execution of the Project; and
- (b) on September 15, each year furnish to the Association for information such proposed budget.

Section 3.07. For purposes of financing in the Communes of the Borrower's territory: (i) the building, rehabilitation and maintenance of water supply systems under Part B.2 of the Project; and (ii) the acquisition of the related equipment, the Borrower shall:

- (a) establish and maintain as a sub-account of FDC, a national fund for rural water supply (NFRWS);
- (b) prepare and adopt a set of rules and regulations satisfactory to the Association for the operation and management of NFRWS;
 - (c) deposit into NFRWS an initial deposit in FR equivalent to \$200,000;

- (d) thereafter deposit into NFRWS amounts equal, unless the Borrower and the Association shall otherwise agree, to the aforementioned amount on March 15 each year; and
- (e) use such funds exclusively for the financing of the activities and equipment referred to in subparagraphs (i) and (ii) above.
- Section 3.08. For purposes of strengthening the organization and operation of DGE the Borrower shall establish gradually and in any case not later than December 31, 1992, in accordance with the provisions of the Borrower's Presidential Arrete No. 172/06 dated March 24, 1987, the new organizational structure of DGE.
- Section 3.09. The Borrower shall: (a) not later than October 31, in each Fiscal Year furnish to the Association for review and comments: (i) DGE's proposed annual budget for the following Fiscal Year; and (ii) an updated three year investment program for the
- following Fiscal Year; and (ii) an updated three year investment program for the Borrower's rural water supply sub-sector; and (b) based on such review finalize such budget and investment program.
- Section 3.10. The Borrower shall: (a) each Fiscal Year starting with its Fiscal Year ending December 31, 1987, and until December 31, 1992, recruit at least five qualified and experienced engineers; and (b) assign such engineers and technicians to DGE.
- Section 3.11. The Borrower shall: (a) take all necessary measures for the transfer to the intercommunal associations and the Communes in the Borrower's territory upon their completion of the facilities provided under Part A of the Project; and
- (b) assign to the intercommunal associations and the Communes the responsibility for the operation, management and maintenance of the facilities transferred to them.

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
- (c) For all expenditures with respect to which withdrawals from the Credit Account or payments out of the Special 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 completion of the audit 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.

Section 4.02. (a) The Borrower shall cause DGE and NFRWS through FDC to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of DGE and of NFRWS.

- (b) The Borrower shall cause DGE and NFRWS through FDC to:
- (i) have their records, accounts and financial statements 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 copies of their accounts for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- Section 4.03. For purposes of having the records and accounts of DGE and of FRWS for each Fiscal Year audited by independent auditors acceptable to the Association, pursuant to the provisions of Sections 4.01 (b) (i) and 4.02 (b) (i) of this Agreement, the Borrower shall not later than June 30, 1988, furnish to the Association for its approval a list of proposed auditors.
- Section 4.04. The Borrower shall cause the Communal Councils, with the assistance of DGE to: (i) review not later than October 31, each year the levels of the water tariffs applied during such year to determine whether such levels were sufficient to cover the operation, maintenance and renewal costs of the water systems during such year; (ii) based on such review to take all necessary measures including, without limitation, adjustment of the structure or levels of such tariffs; (iii) deposit all revenue levied for water supply services into a separate account; (iv) use such revenue exclusively for expenses related to water supply services; and (v) have such separate accounts each Fiscal Year audited by inspectors duly designated by the Borrower.

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) that the UNDP Grant Agreement shall have failed to become effective by December 31, 1988, or such later date as the Association, may agree; provided however that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for that Part of the Project

are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (b) Subject to subparagraph (ii) of this paragraph:
- (i) The right of the Borrower to withdraw the proceeds of the Austrian Loan, or the BADEA Loan, or the CCCE Loan, or the Swiss Grant, or the ADF Loan, or the UNDP Grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Austrian Loan Agreement, or the BADEA Loan Agreement, or the CCCE Loan Agreement, or the ADF Loan Agreement, or the Swiss Grant Agreement or the UNDP Grant Agreement providing therefor, or
- (ii) the Austrian Loan, or the BADEA Loan, or the CCCE Loan, or the ADF Loan shall have become due and payable prior to the agreed maturity thereof.
- (c) Subparagraph (b) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following events are specified: any of the events specified in paragraphs (b) (i) and (b) (ii) of Section 5.01 of this Agreement shall occur subject to the proviso of paragraph (c) of that Section.

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 all the conditions prior to the effectiveness of the Austrian Loan, or the BADEA Loan, or the CCCE Loan, or the ADB Loan or the Swiss Grant, except for the effectiveness of this Agreement, shall have been fulfilled;
- (b) that the Project Coordination Unit referred to in Section 3.03 (a) of this Agreement has been established, the Project Coordinator referred to in paragraph (b) of such Section and the hydraulic engineer and the accountant referred to in paragraph (c) of such Section have been appointed; and
- (c) that the sub-account of FDC referred to in Section 3.07 (a) of this Agreement has been established, the rules and regulations referred to in paragraph (b) of such Section have been adopted and the initial deposit referred to in paragraph (c) of such Section has been made.

Section 6.02. The date one hundred twenty (120) 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 Ministry of Finance and Economy 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 and Economy B.P. 158 Kigali Rwanda

Cable address: Telex:

MINIFINECO 502 MINAFFET

For the Association:

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

Cable address: Telex:

INDEVAS 440098 (ITT), Washington, D.C. 248423 (RCA) or 64145 (WUI)

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.

RWANDESE REPUBLIC

By /s/ Simon Insonere

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Sven Sandstrom

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Amount of the
Credit Allocated % of
(Expressed in Expenditures
Category SDR Equivalent) to be Financed

(1) Civil works including pipe laying

2,770,000 80%

for Parts A.2 and A.4 $\,$

(2)	Equipment including pipes for Parts A.2 and A.4	3,170,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3)	Consultants' services and training	1,980,000	100% of foreign expenditures and 80% of local expenditures
(4)	Civil works and equipment under the rehab- ilitation program under Part B of the Project	1,580,000	90%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5)	Refunding of Project Prepara- tion Advance	400,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	2,000,000	
	TOTAL	11,900,000	

- 2. If the amount allocated to Category (5) above is in excess of the amount due, the excess will be reallocated to Category (6).
- 3. 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.
- 4. 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the efficiency of water supply operations in the Borrower's territory by: (i) rehabilitating existing and building new water supply facilities in the Lava region; (ii) improving the quality and quantity of water provided to the rural population in the Borrower's territory; and (iii) strengthening the organization, operation and management of water supply systems at DGE's level and at the communal level.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Rehabilitation and Extension of Water Supply Systems in the Lava Region to supply water in the eleven Communes of the Lava Region

- 1. Sebeya and Yungwe-Bikore Systems.
 - (a) Construction of a treatment plant with a capacity of 5,750 m3/day;
- (b) Construction of two reservoirs each with a capacity of 1,000 m3 and of three reservoirs with respective capacities of 600 m3, 400m3 and 300 m3;
 - (c) provision and laying of pipes for water distribution of about 60 km; and
 - (d) provision of about 105 standpipes.

2. Mizingo-Mutura System

- (a) Construction of two treatment plants with a capacity of 1,000 m3/day and 250 m3/day, respectively;
 - (b) construction of a pumping station with a capacity of 1,440 m3/day;
 - (c) construction of a reservoir with a capacity of 1,000 m3/day;
 - (d) provision and laying of pipes for water distribution of about 40 km; and
 - (e) provision of about 36 standpipes.

3. Mutera System:

- (a) Construction of a pumping station with a capacity of 4,320 m3/day;
- (b) construction of one reservoir with a capacity of 200 m3;
- (c) provision and laying of pipes for water distribution of about 50 km; and
- (d) provision of about 22 standpipes.

4. Upper Mutobo System:

- (a) Rehabilitation of a treatment plant with a capacity of 12,300 m3/day;
- (b) construction of a pumping station with a capacity of 2,160 m3/day;
- (c) construction of a reservoir with a capacity of 2,000 m3;
- (d) provision and laying of pipes for water distribution of about 65 km; and
- (e) provision of about 66 standpipes.

5. Lower Mutobo System:

- (a) Rehabilitation of a treatment plant with a capacity of 12,300 m3/day;
- (b) rehabilitation of a reservoir with a capacity of 1,500 m3;
- (c) provision and laying of pipes for water distribution of about 150 km; and
- (d) provision of about 122 standpipes.

6. Cretes System:

(a) Carrying out works for the Rubindi source intake;

- (b) provision and laying of a water supply pipe;
- (c) rehabilitation of a treatment plant with a capacity of 12,300 m3/day;
- (d) construction of a pumping station at Mutobo with a capacity of 4,320 m3/day;
 - (e) construction of the Muhingo pumping station;
- (f) construction of a pumping station at Gahira with a capacity of 2,300 m3/day;
 - (g) construction of reservoirs at the following locations:
 - (i) Muhingo with a capacity of 700 m3;
 - (ii) Gahira with a capacity of 300 m3;
 - (iii) Gasizi with a capacity of 2,000 m3;
 - (iv) Kora with a capacity of 700 m3;
 - (v) Suza with a capacity of 700 m3;
 - (vi) Kinigi with a capacity of 300 m3; and
 - (vii) Mutobo with a capacity of 1,500 m3.;
- (h) provision and laying of pipes for water distribution of about 135 km and for force main of about 16 km;
 - (i) provision of about 121 standpipes.

Part B: Rehabilitation of Water Supply Systems in the Borrower's Territory

- 1. Designing a program for the rehabilitation, the operation and maintenance of rural water supply systems in the Communes of the Borrower's territory except in the eleven Communes of the Lava Region.
- 2. Carrying out through NFRWS of the first phase of such program.

Part C: Institutional Strengthening

- 1. Provision of technical assistance to DGE to:
 - (a) improve DGE's operations and management procedures;
- (b) carry out a review of the legislation applicable to water supply activities in the Borrower's territory;
- (c) provide training in financial management, accounting and engineering to \mathtt{DGE} 's staff.
- 2. Provision of technical assistance at the communal level to:
- (a) train communal employees and members of water users' associations in maintenance of water supply systems;
- (b) train administrators, members of water committees and chairmen of water users' associations in the optimal use of the water supply systems; and
 - (c) train communal accountants in accounting and financial reporting.
- 3. Provision of office equipment and vehicles to DGE.

* * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Rwandese Republic may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

Pipes and equipment may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the applicable procedures of the Borrower.

Part E: Review by the Association of Procurement Decisions

Review of invitations to bid and of proposed awards and final contracts:

- (a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, and for works estimated to cost \$300,000 or more, the procedures set forth in paragraphs 2
- and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed
- copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.
- (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for
- such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.
- (c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on
- the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.
- 2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be

satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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.

SCHEDULE 4

Special Account

- 1. For the purposes of this Schedule:
- (a) the term "eligible Categories" means Categories (1) to (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 \$1,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.
- 2. Except as the Association shall otherwise agree, 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 may be made as follows:
- (a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence furnished pursuant to paragraph 4 of this Schedule.

- 4. For each payment made by the Borrower out of the Special Account, the Borrower shall furnish to the Association, prior to or with any request for replenishment or upon request of the Association such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.
- 5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.
- (b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.
- (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 for crediting to the Credit Account.