

CONFORMED COPY

CREDIT NUMBER 2568 GH

Development Credit Agreement
(Local Government Development Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 16, 1994

CREDIT NUMBER 2568 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 16, 1994, between REPUBLIC OF GHANA (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 has stated in a letter, dated December 18, 1993, its policies and objectives designed to improve local government in its territories (the Statement of Local Government Policy); 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 have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "District" means, in the case of each District Assembly, the jurisdictional area pertaining to such District Assembly;

(b) "District Assembly" means each of the eleven District Assemblies participating in the Project, established in accordance with chapter twenty of the Constitution of the Republic of Ghana, 1992, and being Sunyani District Assembly, Ho District Assembly, Keta District Assembly, New Juaben Municipal Assembly, Agona District Assembly, Wa District Assembly, Cape Coast Municipal Assembly, Komenda-Edina-Eguafo-Abirem District Assembly, Bolgatanga District Assembly, Bawku East District Assembly and Techiman District Assembly;

(c) "District Assembly Accounts" means the accounts referred to in Section 3.01 (c) (i) of this Agreement;

(d) "MLGRD" means the Borrower's Ministry of Local Government and Rural Development;

(e) "MWH" means the Borrower's Ministry of Works and Housing;

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 19, 1993 and November 5, 1993 between the Borrower and the Association;

(g) "Project Town" means any of the following eleven towns: Bawku, Bolgatanga, Wa, Techiman, Sunyani, Ho, Koforidua, Agona-Swedru, Keta/Anloga, Cape Coast and Elmina.

(h) "Revenue Improvement Action Plan" means each seven-year plan prepared and approved by each District Assembly setting forth a detailed timetable of actions and targets for increasing revenues;

(i) "TSC" means the Technical Services Center within MWH; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-seven million seven hundred thousand Special Drawing Rights (SDR 27,700,000).

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 deposit account (the Special Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the

Special Account shall be made in accordance with the provisions of Schedule 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, 2001 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 cancelled; 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 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 January 15 and July 15 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 January 15 and July 15, commencing July 15, 2004 and ending January 15, 2034. Each installment to and including the installment payable on January 15, 2014 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 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and with regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall: (i) provide in its annual budget in each year of the Project amounts sufficient to cover its counterpart contributions to the costs of the Project and transfer the same to MLGRD; (ii) open and maintain in cedis in a commercial bank a project account (the Project Account), on terms and conditions satisfactory to the Association, in the name of MLGRD to be used by MLGRD exclusively for the purposes of the Project; (iii) deposit into the Project Account (A) an initial amount of \$100,000 equivalent, and (B) the remaining part of its counterpart contributions, quarterly in advance, in the amounts determined by the Borrower and the Association.

(c) The Borrower shall: (i) open and maintain in cedis in a commercial bank in each District a District Assembly Account (the District Assembly Accounts), on terms and conditions satisfactory to the Association, in each case, in the name of the District Assembly for which it is established, to be used by such District Assembly exclusively for the purposes of the portion of the Project to be carried out by such District Assembly; and (ii) deposit into each District Assembly Account (A) one initial amount of \$5,000 equivalent, and (B) the remaining part of its contribution to the financing of the portion of the Project to be carried out within such District Assembly, quarterly in advance, in the amounts determined by the Borrower and the Association.

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. (a) In each quarter, TSC shall prepare a quarterly progress report, comparing actual and forecast progress and evaluating such progress against project monitoring indicators agreed with the Borrower and the Association including, inter alia, standard agreed performance indicators monitoring the physical, financial and operational progress and performance of all components of the Project, and shall provide such quarterly progress report to the Borrower and the Association no later than forty-five days after each such quarter; and

(b) by no later than August 31 in each year, representatives of MLGRD, the Ministry of Finance, MWH, TSC, each District Assembly and the Association shall meet to review the progress made in respect of Project implementation including, without limitation, physical implementation, municipal finance and institutional

objectives during the preceding year, such review to be based on the quarterly progress reports referred to in (a) above and monitoring and performance indicators agreed by the Borrower and the Association.

Section 3.04. The Borrower shall, by no later than December 31, 1997, carry out jointly with the Association a midterm review of the project to assess and, if necessary, make recommendations on changes or remedial actions concerning the Project's components, implementation arrangements or financing arrangements, including specifically, inter alia, (a) the progress of physical implementation of the infrastructure improvements under Parts A, B and C of the Project; (b) the timeliness and efficiency of procurement of works and goods and engagement of consultancy services; (c) the effectiveness and impact of the institutional strengthening provided under Part D of the Project; (d) the management of the training provided under Part D of the Project and its effectiveness; (e) the extent to which each District Assembly is implementing its Revenue Improvement Action Plan and any problems being experienced in connection with revenue mobilization by such District Assembly; (f) the provision of household sanitation facilities under Part C.2 of the Project; (g) the extent to which the engagement of a municipal engineer, finance officer and personnel officer by each District Assembly, in accordance with Section 3.07 (a) of this Agreement, has been facilitated by the Borrower and implemented by each District Assembly; (h) the progress and impact of the policy review of District Assembly revenues; (i) the extent to which each District Assembly is meeting its obligation to contribute agreed shares of the projected operation and maintenance costs to its operations and maintenance fund pursuant to Section 3.09 of this Agreement; and (j) the extent to which private sector contracting of operation and maintenance required by the Project is being carried out.

Section 3.05. The Borrower shall: (i) furnish to the Association, at least thirty days prior to the review described in paragraph (i) above, for its review and comments, such information and data on the items listed in such paragraph as the Association shall request; and (ii) promptly thereafter carry out, or cause to be carried out, the recommendations of the midterm review in a manner satisfactory to the Association.

Section 3.06. In each year of the Project, each District Assembly shall:

- (i) implement its agreed Revenue Improvement Action Plan in a manner satisfactory to the Borrower and the Association, and, to the extent the Association shall consider necessary or desirable, the Borrower and the Association and each respective District Assembly in each year shall review such District Assembly's Revenue Improvement Action Plan and agree to such changes to each such Revenue Improvement Action Plan as shall be necessary for the purposes of carrying out the Project; and
- (ii) prepare, by no later than July 1, an annual training plan in respect of the training to be provided under Part D of the Project, satisfactory to the Association, and implement the same.

Section 3.07. (a) By no later than one year from the Effective Date, each District Assembly shall establish, and thereafter maintain, the positions of municipal engineer, finance officer and personnel officer to head each District Assembly's Department of Works and Finance and the Personnel Unit in each District Assembly's Department of General Administration, respectively, and thereafter each District Assembly shall recruit officers to fill such positions on three-year renewable contracts, each under terms of reference and with qualifications and experience satisfactory to the Association.

The aforementioned positions shall be financed jointly by the Borrower and the District Assemblies. Each year the Borrower and the District Assemblies shall ensure that sufficient funds are budgeted to maintain these positions.

(b) Each District Assembly shall maintain the position of Project coordinator for the duration of the Project and retain a Project coordinator to fill such position, each under terms of reference and with qualifications and experience satisfactory to the Association.

Section 3.08. By no later than one year from the Effective Date, MLGRD shall engage consultants to: (i) provide technical assistance to the District Assemblies for (a) municipal engineering, (b) financial management, and (c) planning and implementation; (ii) support the TSC in accountancy and in establishing a management information system; (iii) coordinate the overall technical assistance provided under the Project; (iv) assist the Borrower's land valuation board in data processing; and (v) assist the Department of Town and Country Planning within MLGRD with land use planning and development guidance.

Section 3.09. Each District Assembly shall establish, not later than 12 months after the Effective Date, and shall maintain, throughout the duration of the Project, a fund for operation and maintenance costs incurred in respect of the Project and, in each year, shall contribute such funding as, in the opinion of the Borrower and the Association, shall be necessary to meet anticipated operation and maintenance costs for the following year.

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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 event is specified, namely that a situation has arisen which shall make it improbable that the Statement of Local Government Policy, or a significant part thereof, will be carried out.

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 Borrower has established the Project Account and has deposited into the Project Account an initial amount of \$100,000 equivalent pursuant to Section 3.01 (b) of this Agreement;

(b) the Borrower has established all eleven of the District Assembly Accounts to facilitate the carrying out of the Project and has deposited into each such account an initial amount of \$5,000 equivalent pursuant to Section 3.01 (c) of this Agreement;

(c) each District Assembly has ratified and adopted a Revenue Improvement Action Plan, satisfactory to the Association, to be carried out by such District Assembly under the Project;

(d) each District Assembly has prepared an annual training plan for the first year of implementation of the Project, satisfactory to the Association;

(e) the Borrower has prepared bid packages, satisfactory to the Association, for the civil works agreed upon with the Association and required under Parts A, B and C of the Project; and

(f) no less than six District Assemblies shall have acquired the land necessary for the portion of Part C of the Project to be carried out by such District Assemblies and shall have provided evidence satisfactory to the Association of such acquisition.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box M40
Accra, Ghana

Cable address:

ECONOMICON
Accra

Telex:

2205 MIFAEP GH

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (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 GHANA

By /s/ Joseph L.S. Abbey
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Katherine Marshall
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 (Expressed in	% of Expenditures
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Category	SDR Equivalent)	to be Financed
(1) Civil Works		100% of foreign expenditures and 70% of local expenditures
(a) Waste Management under Part C	2,570,000	
(b) Roads and Drainage under Part A	9,560,000	
(2) Goods	4,760,000	100% of foreign expenditures and 70% of local expenditures
(3) Technical Assistance	4,160,000	100%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Operating Costs	960,000	50% of expenditures until December 31, 1998; 30% of expenditures thereafter
(5) Refunding of Project Preparation Advance	720,000	
(6) Unallocated	4,970,000	
TOTAL	27,700,000 =====	

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 for goods or services supplied from the territory of the Borrower; and

(c) the term "Operating Costs" means expenditures made in respect of maintenance of drains, roads and sanitation facilities, operation of refuse collection and waste disposal sites and maintenance of vehicles used for the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) Category 1 (a) for expenditures incurred for Part C of the Project, for establishment of landfill sites and liquid waste disposal sites or construction of new sanitation facilities until a District Assembly has provided evidence, satisfactory to the Association, regarding its ownership of the land required for its portion of Part C of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under (i) contracts for works not exceeding \$200,000; and (ii) contracts for goods and services not exceeding \$50,000 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 assist the Borrower in carrying out its program of: (a) rehabilitation and upgrading of urban infrastructure and services; and (b) institutional strengthening and building of urban management capacity through decentralization.

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 Improvement of Roads and Drainage

1. Rehabilitation of approximately 77 km of existing key town center roads and roadside drainage in Project Towns.
2. Improvement of traffic management in the Project Towns through, inter alia, installation of traffic signs and intersection improvements.

Part B: Rehabilitation and Upgrading of Markets and Lorry Parks

Provision of paving, drainage, water standpipes, sanitation and washing facilities, security lighting and structures in the major markets and lorry parks of the Project Towns.

Part C: Waste Management

1. Establishment of landfill sites, fencing of refuse collection points, and provision of containers, tractors and other equipment for the management of solid waste.
2. Establishment of liquid waste disposal sites in the Project Towns, construction of new, and renovation of existing, sanitation facilities (including underground sewerage holding tanks), extension of water and electric services thereto, the acquisition of cesspit emptiers and construction of on-site household sanitation facilities.

Part D: Institutional Strengthening

1. The provision of technical assistance and training, and acquisition and utilization of equipment and vehicles, to strengthen the capacity of the participating District Assemblies to plan, finance and manage urban services in a manner consistent with the Borrower's overall economic reform program, including, without limitation, support for: (a) increasing district revenue collections; (b) improving budgeting and financial management; (c) planning system development; and (d) strengthening the technical departments of the District Assemblies.
2. The provision of technical assistance and training to, and the acquisition of vehicles and equipment (including computers) for, selected central agencies of the Borrower to strengthen the agencies' capacity to provide support and assistance to District Assemblies, including: (a) the Land Valuation Board within the Ministry of Finance for revaluation of properties in the District Assemblies; (b) the Survey Department within the Ministry of Lands and Forestry for the preparation of maps for use in planning; (c) the Town and Country Planning Department within MLGRD for assisting District Assemblies to prepare structure plans and improve development guidance and control; and (d) TSC to coordinate, monitor and manage the reporting, procurement, contract management, coordination and accounting functions for MLGRD and the District Assemblies under the Project.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. 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 1992 (the Guidelines).

2. For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

3. In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

4. Goods shall be exempted from preshipment price inspection by a third party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Ghana 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

1. Items or groups of items for civil works estimated to cost the equivalent of \$1,500,000 or less per contract, up to an aggregate amount equivalent to \$16,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$430,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$350,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the

Guidelines, in accordance with procedures acceptable to the Association.

4. Spare parts and accessories for vehicles and equipment up to an aggregate amount of \$250,000 equivalent may be purchased from original manufacturers or suppliers or their authorized agents.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(c) With respect to each contract not governed by the preceding two paragraphs, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(d) The provisions of the preceding subparagraph (c) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. 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 (the Consultants' Guidelines).

2. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Association.

3. Notwithstanding the provision of paragraph 1 of this Section, the provision of the Consultants' Guidelines requiring prior Association review or approval of budgets, shortlists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to such prior review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

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 \$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. 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 into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) 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.

