Development Credit Agreement

(Second Infrastructure Asset Management Project)

between

INDEPENDENT STATE OF SAMOA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 20, 2004
AGREEMENT, dated January 20, 2004, between the INDEPENDENT STATE OF SAMOA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated February 16, 1999, 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 such program;

(B) the Borrower has requested that the Association support the Borrower’s execution of the Program through a series of credits over a period of approximately eight (8) years to be utilized by the Borrower in the implementation of the Program, this Project being the second phase of said Program; and

(C) 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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the following modification (the General Conditions), constitute an integral part of this Agreement, namely, that paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

“(c) 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, 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 Development Credit Agreement and the accomplishment of the purposes of the Credit.”
Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means a local community or a non-governmental organization eligible to carry out Sub-projects under Part C.4 of the Project in accordance with the provisions of the Operational Manual.

(b) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) “Code of Environmental Practice” means the code to be adopted by the Borrower in accordance with paragraph 16(b) of Schedule 4 to this Agreement.

(d) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.

(e) “Eligible Categories” means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(f) “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods and services required for Parts B, C, D and E of 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.

(g) “Environmental Policy Framework” means the framework, satisfactory to the Association, adopted by the Borrower on November 28, 2003, describing the rules, guidelines and procedures to assess environmental impacts under the Project and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance positive impacts of the Project, as such framework may be amended from time to time with the prior agreement of the Association.

(h) “Faleolo International Airport” means the Borrower’s international airport in Faleolo.

(i) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.
“Fiscal Year” and the acronym “FY” mean the Borrower’s fiscal year commencing July 1 and ending June 30.

“Grant” means a grant in Tala made or proposed to be made by the Borrower, through its Ministry of Natural Resources and Environment, to a Beneficiary, out of the proceeds of the Credit, through a Grant Agreement, satisfactory to the Association, to finance the carrying out of non-structural investments under Part C.4 of the Project, in accordance with the provisions of the Operational Manual.

“Grant Agreement” means the agreement to be entered into between the Borrower, through its Ministry of Natural Resources and Environment, and a Beneficiary for purposes of providing a Grant, as the same may be amended from time to time with the prior agreement of the Association, and “Grant Agreements” means, collectively, the plural thereof.

“Land Acquisition and Resettlement Framework” means the framework, satisfactory to the Association, adopted by the Borrower on November 12, 2003, providing procedures, rules, and guidelines for: (i) the involuntary taking of land and other assets from Displaced Persons, (ii) resettlement and rehabilitation of, and compensation to, Displaced Persons, (iii) reporting and monitoring arrangements to ensure compliance with such framework, and (iv) design criteria in accordance with which a resettlement action plan is submitted to the Association for approval, as such framework may be amended from time to time with the prior agreement of the Association.

“Land Transport Authority” means the authority to be established pursuant to the relevant laws of the Borrower as a statutory authority, and in accordance with paragraph 14(a) of Schedule 4 to this Agreement, to manage road infrastructure assets, road usage and land transport services, and any successor thereto.

“Memorandum of Agreement” means the agreement to be entered into between the Borrower and the Samoa Airport Authority in accordance with Section 3.03 of this Agreement for purpose of carrying out Part A of the Project, including all schedules, and supplemental agreements, as said agreement may be amended from time to time with the prior agreement of the Association.

“Ministry of Finance” means the Borrower’s Ministry of Finance, and any successor thereto.

“Ministry of Natural Resources and Environment” means the Borrower’s Ministry of Natural Resources and Environment, and any successor thereto.

“Ministry of Works, Transport and Infrastructure” means the Borrower’s Ministry of Works, Transport and Infrastructure, and any successor thereto.
(s) “Operational Manual” means the manual, satisfactory to the Association, to be adopted by the Borrower, in accordance with paragraph 10 of Schedule 4 to this Agreement, as said manual may be amended from time to time with the prior agreement of the Association.

(t) “Program Steering Committee” means the committee to be established within the Ministry of Finance, and to be maintained by the Borrower in accordance with paragraph 1 of Schedule 4 to this Agreement.

(u) “Project Management Unit” means the unit to be established within the Ministry of Finance, and to be maintained by the Borrower in accordance with paragraph 2 of Schedule 4 to this Agreement.

(v) “Resettlement Action Plan” means the resettlement action plan dated November 21, 2003, duly adopted by the Borrower in respect of Part B.4 of the Project, which sets forth the identification and assessment of selected land acquisition, resettlement and compensation required to be implemented prior to the commencement of works, as well as reporting and monitoring arrangements to ensure compliance with said plan in accordance with the Land Acquisition and Resettlement Framework, as the same may be revised from time to time with the agreement of the Association; and such term includes all attachments and annexes supplemental to said plan.

(w) “Samoa Airport Authority” means the authority established pursuant to the Airport Authority Act of 1984, as amended to the date of this Agreement, and any successor thereto.

(x) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement.

(y) “Tala” means the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to nine million Special Drawing Rights (SDR9,000,000).

Section 2.02. 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 Parts B, C, D and E of the Project (except for Part C.4 of the Project) and to be financed out of the proceeds of the Credit; and

(b) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Grant to meet reasonable cost of goods, works and services required for non-structural measures to mitigate natural risks hazards in respect of which the withdrawal from the Credit Account is requested.

Section 2.03. The Closing Date shall be December 31, 2008, 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 June 15 and December 15 in each year.
Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2014, and ending December 15, 2043. Each installment to and including the installment payable on December 15, 2023, 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, shall: (i) cause the Samoa Airport Authority to carry out Part A of the Project; and (ii) carry out: (A) Parts B and D of the Project through its Ministry of Works, Transport and Infrastructure; (B) Part C of the Project through its Ministry of Natural Resources and Environment; and (C) Part E of the Project through its Ministry of Finance; all with due diligence and efficiency and in conformity with appropriate administrative, aviation safety, financial, economic, engineering and technical practices, and social and environmental standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for Parts B, C, D and E of 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) For purposes of carrying out Part A of the Project, the Borrower shall enter into a Memorandum of Agreement with the Samoa Airport Authority, acceptable to the Association, under terms and conditions which shall have been approved by the Association, including that the Samoa Airport Authority shall:

(i) maintain operational standards on safety, communications and services at Faleolo International Airport and Maota Airport in accordance with International Civil Aviation Organization and other international standards on safety, communications and services, including replacement or upgrading, in a timely manner, of instrumented landing system at Faleolo International Airport and any other selected equipment necessary for the maintenance of said standards;

(ii) manage airport infrastructure assets at Faleolo International Airport and Maota Airport, provide budget, and carry out selected works, which works shall be selected based on an airport asset management system to be established under the Project, all aimed at achieving standards which meet
performance requirements, satisfactory to the Association, for passenger, freight and aircraft;

(iii) incorporate in its corporate strategy and business plans a plan for achieving full cost recovery of operating expenditures and investments supporting the requirements of (i) and (ii) above within a timeframe to be agreed with the Borrower; and

(iv) adopt, by October 31, 2004, a time bound action plan for rationalization of airport infrastructure, including consolidation of operations at the Faleolo International Airport and Maota Airport on Upolu and Savai'I, respectively, and the closure of air traffic operations at the Fagalii Airport, the disposition of the Fagalii land, and the facilitation of the associated changes in travel and operation.

(b) The Borrower shall exercise, and cause the Samoa Airport Authority to exercise, its respective rights under the Memorandum of Agreement in such manner as to protect the interests of the Borrower, the Samoa Airport Authority and the Association, comply with its respective obligations under the Memorandum of Agreement, and accomplish the purposes of the Program, and, except as the Association shall otherwise agree, the Borrower shall not abrogate, amend, assign, repeal, suspend or waive the Memorandum of Agreement or any provision thereof without the prior agreement of the Association.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan 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 a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards, acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.
(b) The Borrower shall:

(i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Credit Account is made, have the financial statements referred to in paragraph (a) of this Section for each fiscal year, or other period agreed to by the Association, audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 or such other period agreed to by the Association, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year, or such other period agreed to by the Association, as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or 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, or covering, 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) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditures are included in the audit for each fiscal year or other period agreed to by the Association, referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set forth in paragraphs 18 and 19 of Schedule 4 to this Agreement, the
Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for Parts B, C, D and E of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

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

(iii) sets forth the status of procurement under Parts B, C, D and E of the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than thirty (30) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Parts B, C, D and E of the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than thirty (30) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Memorandum of Agreement has been entered into between the Borrower and the Samoa Airport Authority in accordance with Section 3.03 of this Agreement;

(b) the Program Steering Committee has been established in accordance with paragraph 1 of Schedule 4 to this Agreement;

(c) the Project Management Unit has been established in accordance with paragraph 2 of Schedule 4 to this Agreement;

(d) the Project component managers have been retained in accordance with paragraph 3 of Schedule 4 to this Agreement;
(e) the financial management system has been upgraded in accordance with paragraph 4 of Schedule 4 to this Agreement;

(f) the Borrower has adopted bidding documents for works and consultants’ services in accordance with paragraph 7 of Schedule 4 to this Agreement; and

(g) the Borrower has adopted the Operational Manual in accordance with paragraph 10 (a) of Schedule 4 to this Agreement.

Section 5.02. 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) the Memorandum of Agreement has been duly authorized or ratified by the Borrower and the Samoa Airport Authority and is legally binding upon the Borrower and the Samoa Airport Authority in accordance with its terms;

(b) the Operational Manual has been duly adopted by the Borrower and is legally binding upon the Borrower in accordance with its terms;

(c) the Environmental Policy Framework has been duly adopted by the Borrower on November 28, 2003, and is legally binding upon the Borrower in accordance with its terms;

(d) the Land Acquisition and Resettlement Framework has been duly adopted by the Borrower on November 12, 2003, and is legally binding upon the Borrower in accordance with its terms; and

(e) the Resettlement Action Plan has been duly adopted by the Borrower on November 21, 2003, and is legally binding upon the Borrower in accordance with its terms.

Section 5.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Private Bag
Apia, Independent State of Samoa

Cable address:  Facsimile:
FINSEC  685-21312
Apia  685-24779

For the Association:

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

Cable address:  Telex:  Facsimile:
INDEVAS  248423 (MCI) or  (202) 477-6391
Washington, D.C.  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/ Afioga Ali’ioaiga Feturi Elisaia

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Homi Kharas

Authorized Representative
### SCHEDULE 1

**Withdrawal of the Proceeds of the Credit**

#### A. General

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>5,100,000</td>
<td>60%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>100,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Consultants’ services:</td>
<td></td>
<td>80% for foreign individual consultants; 75% for local individual consultants and local firms; and 67% for foreign firms</td>
</tr>
<tr>
<td>(a) under Parts B and E of the Project</td>
<td>1,700,000</td>
<td></td>
</tr>
<tr>
<td>(b) under Parts C and D of the Project</td>
<td>1,400,000</td>
<td></td>
</tr>
<tr>
<td>(4) Training</td>
<td>70,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental operating costs</td>
<td>50,000</td>
<td>75%</td>
</tr>
<tr>
<td>(6) Grants</td>
<td>70,000</td>
<td>100% of Grant amount disbursed</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>510,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9,000,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the term:

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

(c) “Incremental operating costs” means reasonable expenditures directly related to the Project, incurred by the Borrower (which expenditures would not have been incurred absent the Project), including expenditures for the cost of: (i) travel per diem and transportation of Project staff and other participants, but excluding salaries and allowances; (ii) rental of facilities; (iii) publication and dissemination of Project related materials; (iv) office supplies and consumables; and (v) communication.

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 SDR850,000, may be made in respect of Categories (1) and (3) (a) on account of payments made for expenditures before that date but after July 1, 2003.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works costing less than $600,000 equivalent per contract; (b) goods costing less than $50,000 equivalent per contract; (c) contracts for the employment of consulting firms costing less than $100,000 equivalent per contract; (d) contracts for the employment of individual consultants costing less than $50,000 equivalent per contract; (e) training; and (f) incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Financial Monitoring Reports and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.
B. Special Account

1. The Borrower may, for the purposes of Parts B, C, D and E of the Project, open and maintain in Dollars a special deposit account in the Central Bank of Samoa on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

   (a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

   (c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall
determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.
Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to $1,200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2(a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $600,000 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 SDR1,800,000.

2. 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 in the aggregate do not exceed the amount of the Authorized Allocation. 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.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.
Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The Project is the second phase of the Program. The objective of the Project is to assist the Borrower in: (a) enhancing the economic, environmental, and social sustainability of transport and coastal infrastructure assets, and (b) managing said assets, natural resources, and response to national emergencies, through an effective partnership with the private sector stakeholders.

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

Enhancing aeronautical safety of the Borrower’s airport system, including the provision and installation of instrumented landing system and carrying out renovation works for the maintenance and improvement of selected airport infrastructure.

Part B: Road and other Infrastructure

Carrying out of specific rehabilitation and construction works to upgrade the Borrower’s road transport system, improve road network capacity in the Apia environs, access to remote villages, resilience of infrastructure to natural hazards, including the provision of technical assistance and:

1. replacement and rehabilitation of about four (4) bridges on primary roads;
2. rehabilitation of about 32 kilometers on the west coast road;
3. construction of selected pedestrian and road safety facilities;
4. road and bridge widening up to 4 lanes on Vaitele and Fugalei Streets;
5. upgrading road access in selected remote sites, including sites by Fagaloa Bay; and
6. construction of facilities to protect infrastructure assets in selected sites.

Part C: Sustainable Management of Infrastructure, Natural Resources and Risks

1. Strengthening of the capacity of the Ministry of Natural Resources and Environment and selected stakeholders in environmental management, natural risk management, resource management, and emergency management, including the provision of technical assistance and equipment therefor.
2. Upgrading geodetic survey control network to cadastral survey standard, revising related regulations, and developing technical standards on data collection and analysis, including the provision of technical assistance, training and equipment therefor.

3. Developing alternatives for land administration system and related policies, including registration and titling system, and provision of technical assistance and training therefor.

4. Implementing non-structural measures for mitigating risks from natural hazards at selected sites, including the provision of Grants.

Part D: Institutional Development in Transport and Infrastructure

1. Strengthening of the capacity of the Ministry of Works, Transport and Infrastructure to: (a) monitor the implementation of Part A of the Project; (b) develop and implement reforms in the works and transport sectors, and establishing the Land Transport Authority; and (c) evaluate and develop a system of road user charges, including but not limited to fuel levy, vehicle license fees, and infringement penalties as a basis for sustainable cost recovery, including the provision of technical assistance and equipment therefor.

2. Strengthening of the capacity of the Samoa Airport Authority to implement its business and management plans and carry out safety measures under Part A of the Project, including the provision of technical assistance.

3. Strengthening of the capacity of selected stakeholders under the Project to support the achievement of the objectives of the Project, including the provision of training.

Part E: Project Management

1. Strengthening of the capacity of the Ministry of Finance to implement the Project, including day-to-day management, monitoring and coordination of procurement, accounting, disbursement, financial management and other Project related activities, and the provision of technical assistance and equipment therefor.

2. Strengthening of the capacity of the: (a) Ministry of Works, Transport and Infrastructure to implement Parts B and D of the Project; and (b) Ministry of Natural Resources and Environment to implement Part C of the Project, including day-to-day management, monitoring and coordination of procurement, accounting, disbursement, financial management and other Project related activities in respect of their respective parts of the Project, and the provision of technical assistance and equipment therefor.
3. Carrying out of annual audits of the accounts and financial statements of expenditures relating to Parts B, C, D, E.1 and E.2 of the Project.

***

The Project is expected to be completed by June 30, 2008.
SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

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 works under Parts B.2 and B.4 of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

   (a) Works estimated to cost less than $1,000,000 equivalent per contract, up to an aggregate amount not to exceed $4,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   (b) The procedures to be followed for National Competitive Bidding under this Paragraph 1, Part C, shall be those set forth in the Guidelines for Government Procurement by Public Tender (February 2003), issued by the Tenders Board, Independent State of Samoa, with the modifications set forth in the Annex to this Schedule 3 required to ensure economy, efficiency, transparency, and consistency with Section I of the Guidelines (as required by paragraph 3.3 thereof).
2. **International and National Shopping**

   (a) Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $150,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; and

   (b) Goods for specialized equipment related to cadastral survey and land registration information management estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. **Procurement from UN Agencies**

   Vehicles estimated to cost up to an aggregate amount not to exceed $70,000 equivalent may be procured from the Inter Agency Procurement Services Office in accordance with the provisions of paragraph 3.9 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**

   (a) With respect to: (i) all contracts for goods and works procured in accordance with Part B of this Section; (ii) contracts for works estimated to cost the equivalent of $600,000 or more and procured in accordance with Part C.1 of this Section; and (iii) the first contract for works to be procured under each sub-component of the Project estimated to cost less than $600,000 equivalent and procured in accordance with Part C.1 of this Section; the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

   (b) With respect to each contract for goods estimated to cost the equivalent of $50,000 or more, the following procedures shall apply:

      (i) prior to the execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. **Post Review**

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

**Section II. Employment of Consultants**

**Part A: General**

Consultants’ services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

**Part B: Quality- and Cost-based Selection**

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

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services for engineering design and supervision of civil works under Part B of the Project, estimated to cost less than $200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

**Part C: Other Procedures for the Selection of Consultants**

1. **Least-cost Selection**

Services under Part B of the Project estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
2. **Selection Based on Consultants’ Qualifications**

Services under Part B of the Project estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. **Single Source Selection**

Services for selected engineering of road widening and upgrading works under Part B of the Project and project management under Part E 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.

4. **Individual Consultants**

Services of individual consultants for capacity building under Part E.2 of the Project and tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, or selected on a sole-source basis if the provisions of paragraph 5.4 of the Consultant Guidelines are met, subject to prior approval of the Association.

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

1. **Selection Planning**

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants’ services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. **Prior Review**

   (a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

   (b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, 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.
provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
ANNEX TO SCHEDULE 3

National Competitive Bidding

Participation in Bidding

1. State-owned enterprises in the Independent State of Samoa shall be eligible for bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower.

2. No bidder shall be denied access to bidding for reasons unrelated to its capacity to perform the contract. In particular, bidders shall not be denied participation for reason of being registered in a category higher than the nominated category. Furthermore, any request to register or to update registration shall be promptly entertained so as to allow any qualified bidder to participate.

3. Subject to paragraph 7 below, foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with national bidders in order to submit a bid.

Advertising; time for bid preparation

4. Invitations to bid shall be advertised in at least one newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the availability of the bidding documents or the advertisement, whichever is later.

Standard bidding documents

5. Until national standard bidding documents approved by the Association are available, bidding documents approved by the Association shall be used.

Qualification; post-qualification

6. Registration shall not be used to assess bidders’ qualifications. Prequalification (if required) shall not be denied to any bidder for reasons unrelated to that bidder’s capability and resources to successfully perform the contract, nor may bidders be pre-selected through short lists in place of prequalification. If prequalification is not required, the bidder determined to be the lowest evaluated responsive bidder shall be subject to post-qualification as a prerequisite to contract award.
Registration

7. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any let or hindrance. The registration process shall not be applicable for Sub-contractors.

Bid Opening and Bid Evaluation

8. All bidding for works shall be carried out through one envelope procedure.

9. Bidders may submit bids, at their option, either in person or by courier service or by mail.

10. Bids shall be opened in public, immediately after the deadline for submission of bids.

11. Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder.

Rejection of Bids

12. Rebidding shall not be carried out without the Association’s prior concurrence.

Extension of validity of bids

13. In exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids. In such case, bidders shall not be requested nor permitted to amend the price or any other condition of their bids. Bidders shall have the right to refuse to grant such an extension without forfeiting their bid security, but bidders granting such an extension shall be required to provide a corresponding extension of their bid security.

No post-bidding negotiations

14. There shall be no post-bidding negotiations between the procuring entity and the lowest or any other bidder.

Inspection and Auditing

15. Each contract financed from the proceeds of the Credit shall provide that the contractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association.
SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall establish and, thereafter, maintain, until completion of the Project, a Program Steering Committee established within the Ministry of Finance, chaired by the Chief Executive Officer of the Ministry of Finance and comprising representatives of the Ministry of Works, Transport and Infrastructure, Ministry of Natural Resources and Environment, Borrower’s Ministry for Women, Community, and Social Development, and Borrower’s Public Service Commission, and community, including two deputy chairpersons acceptable to the Association; with terms of reference satisfactory to the Association and assigned with such funds, responsibilities and resources as shall be required to enable it to provide overall guidance in the carrying out of the Project, review the progress of Project implementation, assist in achieving the Project objectives and complying with the terms and conditions of this Agreement.

2. The Borrower shall establish and, thereafter, maintain, until completion of the Project, the Project Management Unit within the Ministry of Finance, headed by a Project manager/procurement specialist, provided with sufficient resources and such powers, responsibilities, organization and funding as shall be required to enable it to carry out the day-to-day management, monitoring and coordination of procurement, accounting, disbursement, financial management and other Project related activities, and reporting to the Program Steering Committee, and staffed with competent personnel in adequate numbers, including a Project accountant/financial management specialist, a social assessment specialist, and an administrative/information dissemination assistant, all under terms of reference acceptable to the Association.

3. The Borrower shall retain and, thereafter, maintain, until completion of the Project:

   (a) one Project component manager within the Ministry of Works, Transport and Infrastructure, for purposes of managing, monitoring and coordinating procurement, accounting, disbursement, financial management and other activities related to the carrying out of Parts B and D of the Project; and

   (b) one Project component manager within the Ministry of Natural Resources and Environment, for purposes of managing, monitoring and coordinating procurement, accounting, disbursement, financial management and other activities related to the carrying out of Part C of the Project;
all with qualifications and experience and terms of reference satisfactory to the Association.

4. The Borrower shall upgrade its financial management system for the Project by:
   (a) installing an accounting software, acceptable to the Association, in the Project Management Unit, and thereafter training the respective staff in the use of said software; and
   (b) preparing, adopting, and thereafter implementing, a financial management manual for the Project, acceptable to the Association, setting forth policies and detailed procedures for internal control, flow of funds, accounting and auditing, and maintenance of records.

5. The Borrower shall:
   (a) maintain until completion of the Project, a financial management system for the Project, acceptable to the Association; and
   (b) not abrogate, amend, assign, repeal, suspend or waive any provisions of the financial management manual without the prior agreement of the Association.

6. The Borrower shall, by June 30, 2004, appoint an independent auditor acceptable to the Association, under terms of reference satisfactory to the Association, to carry out annual audits of Project accounts and financial statements in accordance with the provisions of Section 4.01 of this Agreement.

Project Implementation

7. The Borrower shall prepare and furnish to the Association, in a manner and substance satisfactory to the Association, bidding documents for works and consultants’ services to be procured under Parts B, C, D and E of the Project and, thereafter, finalize and adopt said bidding documents.

8. The Borrower shall cause the Samoa Airport Authority to:
   (a) maintain its corporate business plan; and
   (b) by November 30 of each calendar year, commencing November 30, 2004, until completion of the Project, review its financial performance, operation, and infrastructure rationalization, including minor airports, and prepare and furnish to the Association, for its review and comments a report integrating the results of said review, and, thereafter, finalize said report taking into consideration the comments and recommendations of the Association, and implement the recommendations of said report.
9. For purposes of carrying out Part B of the Project, the Borrower shall select Project sites in accordance with criteria satisfactory to the Association, and, thereafter, implement the respective Part B of the Project in a manner and substance satisfactory to the Association.

10. The Borrower shall:

(a) prepare, adopt and thereafter apply the Operational Manual, satisfactory to the Association, as such manual may be amended from time to time with the prior agreement of the Association, in the implementation of Part C.4 of the Project, which Operational Manual shall provide, inter alia, for: (i) procedure and criteria for appraisal and selection of Beneficiaries; (ii) appraisal criteria for design and screening for the carrying out of non-structural measures to mitigate risks from natural hazards; (iii) terms and conditions governing the Grant Agreements; (iv) procurement procedures for goods, works and services to be financed out of the proceeds of the Grant; (v) process for monitoring implementation; and (vi) financial management and disbursement arrangements; and

(b) not abrogate, amend, assign, repeal, suspend or waive any of the provisions of the Operational Manual and the Grant Agreement without the prior agreement of the Association.

11. For purposes of the carrying out of Part C.4 of the Project, the Borrower shall enter into a Grant Agreement with each Beneficiary on terms and conditions satisfactory to the Association.

12. The Borrower shall:

(a) carry out the Project in accordance with the provisions of the Environmental Policy Framework, the Land Acquisition and Resettlement Framework, and the Resettlement Action Plan, as the case may be; and

(b) not abrogate, amend, assign, repeal, suspend or waive the provisions of the Environmental Policy Framework, the Land Acquisition and Resettlement Framework, and the Resettlement Action Plan without the prior agreement of the Association.

13. The Borrower shall, by June 30, 2004, establish an environmental compliance monitoring system within the Ministry of Natural Resources and Environment, satisfactory to the Association and, thereafter, operate said system.

14. The Borrower shall, by June 30, 2004:
(a) prepare, in a manner and substance satisfactory to the Association, a time-bound action plan to develop, adopt and implement a transport sector reform, including recommendations on cost recovery and sustainable financing for the road subsector, the establishment of the Land Transport Authority on terms and conditions satisfactory to the Association, and a consolidation of reforms in the Ministry of Works, Transport and Infrastructure;

(b) adopt and, thereafter, carry out such action plan, in a manner satisfactory to the Association; and

(c) not abrogate, amend, assign, repeal, suspend or waive the provisions of the time-bound action plan, without the prior agreement of the Association.

15. The Borrower shall, through its Ministry of Natural Resources and Environment:

(a) by October 31, 2004, prepare and furnish to the Association, for its review and comments, draft regulations on environmental impact assessment and environmental management;

(b) by January 31, 2005, adopt the regulations referred to in subparagraph (a) above, and, thereafter, retain relevant staff in adequate numbers as shall be required to enable it to implement said regulations;

(c) by June 30, 2005, adopt regulations to enforce the application of requirements of the Coastal Infrastructure Management Plans which have or will be adopted by the Borrower, through its Ministry of Natural Resources and Environment and participating district communities, in the carrying out of assessments of compliance and clearance for planning of infrastructure development, land use and natural resource use in coastal zones; and

(d) by March 31 of each calendar year, commencing March 31, 2005, monitor natural hazards zones and changes in baseline conditions, and, thereafter publish said information at least every three (3) years.

16. The Borrower shall, through its Ministry of Works, Transport and Infrastructure:

(a) enforce the requirements of the Interim Code of Environmental Practice dated January 31, 2002, adopted by the Borrower for purposes of ensuring that sound environmental practices are adopted in all publicly-financed civil works;

(b) by January 31, 2005, adopt the Code of Environmental Practice for civil works, satisfactory to the Association, and thereafter enforce said code.
17. The Borrower shall, by June 30, 2004, authorize the implementing agencies under this Project to approve changes to contracts for civil works within the limits specified within the contract, and for contracts for consultants’ services and goods within a limit of fifteen percent (15%) above the original price, notwithstanding any law or regulation requirement in this regard in effect at the time of issuance of said authorization.

Monitoring and Reports

18. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2006, 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 June 30, 2006, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

19. The Borrower shall:

(a) through its Ministry of Works, Transport and Infrastructure, by March 31 of each calendar year, commencing March 31, 2005, until completion of the Project, prepare, in accordance with the Samoa Asset Management System adopted by the Borrower on October 3, 2002, for the purpose of ensuring efficient management of infrastructure assets, as updated from time to time, and thereafter implement, in a manner and substance satisfactory to the Association, a program of maintenance and rehabilitation of primary roads, bridges and coastal infrastructure to preserve the performance of road network assets within performance targets to be established and agreed with the Association by March 31, 2005; and
(b) through its Ministry of Finance, propose that budgetary funds are allocated as shall be required to ensure that the Ministry of Works, Transport and Infrastructure is able to prepare and implement the program referred to in subparagraph (a) above.
### SCHEDULE 5

**Performance Indicators**

<table>
<thead>
<tr>
<th>Development Indicator</th>
<th>Unit</th>
<th>Baseline Dec. 03</th>
<th>Mar. 05</th>
<th>MTR Jun. 06</th>
<th>Sep. 07</th>
<th>EOP Dec. 08</th>
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<tbody>
<tr>
<td><strong>Samoa Airport Authority</strong></td>
<td>%</td>
<td>60</td>
<td>65</td>
<td>70</td>
<td>75</td>
<td>80</td>
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<tr>
<td>Percentage cost recovery for air transport infrastructure (SAA).</td>
<td></td>
<td></td>
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<td>Asset management system operational for airport infrastructure assets.</td>
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<td>Nil</td>
<td>Operational</td>
<td>Operational</td>
<td>Operation</td>
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<td><strong>MWTI</strong></td>
<td>% tech &amp; mgt staff filled</td>
<td>60</td>
<td>65</td>
<td>75</td>
<td>80</td>
<td>85</td>
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<tr>
<td>Staffing and effective functional capacity of MWTI</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Annual portion of road network under preservation treatment</td>
<td>% primary road km</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
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<tr>
<td>Service quality ratings by road users and affected groups.</td>
<td>% good</td>
<td>---------</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
<td>Cost recovery of road maintenance (est. WST 25 m)</td>
<td>User charges / road needs %</td>
<td>50</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
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<td>Competitive price savings for works and services</td>
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<td>20</td>
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<td><strong>MNRE</strong></td>
<td>% tech &amp; mgt staff filled</td>
<td>60</td>
<td>65</td>
<td>75</td>
<td>80</td>
<td>90</td>
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<td>Staffing and effective functional capacity of MNRE.</td>
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<td></td>
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<tr>
<td>Coastal communities protected / covered through CIM Plans.</td>
<td>% Districts</td>
<td>35</td>
<td>45</td>
<td>70</td>
<td>100</td>
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<td>Compliance with EIA provisions</td>
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<td>60</td>
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<td>Available cadastral land plans digitized and validated</td>
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