Development Credit Agreement

(Railway Concession Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2002
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 Project will be carried out by CAMRAIL (CAMRAIL) with the Borrower’s assistance and, as part of such assistance, the Borrower will make available to CAMRAIL the proceeds of the Credit as provided in this Agreement;

(C) CAMRAIL intends to contract from Agence Française de Développement (AFD), a loan in an amount of Euros 11,800,000 equivalent to $10,600,000 (the AFD Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between AFD and CAMRAIL (the AFD Loan Agreement);

(D) CAMRAIL has contracted from European Investment Bank (EIB) a loan in an amount of Euros 12,000,000 equivalent to $10,800,000 (the EIB Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement dated March 8, 2002, between EIB and CAMRAIL (the EIB Loan Agreement);

(E) CAMRAIL intends to contract from Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) and from commercial banks loans in an approximate total amount of Euros 10,200,000 equivalent to $9,180,000 (the PROPARCO and Commercial Banks Loans) to assist in financing part of the Project on the terms and conditions set forth in agreements to be entered into between PROPARCO, the commercial banks, and CAMRAIL (the PROPARCO and Commercial Banks Loan Agreements); 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 and in the Project Agreement of even date herewith between the Association and CAMRAIL;

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), constitute an integral part of this Agreement.

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

“CAA” means Caisse Autonome d’Amortissement, a public financial institution of the Borrower;

“CAMRAIL” means CAMRAIL, a Société Anonyme established under the Borrower’s laws and regulations and operating pursuant to its Statuts revised as of the date of this
laws and regulations and operating pursuant to its Statuts revised as of the date of this Agreement;

“CFA Franc” or “CFAF” means the currency of the Borrower;

“CMC” means the Borrower’s Concession Monitoring Committee established with membership and responsibilities under Article 50 of the Concession Agreement (as hereafter defined);

“Commercial Banks” means the following banks operating in the Borrower’s territory: CBC (Commercial Bank of Cameroon), Crédit Lyonnais Cameroon and Ecobank;

“Concession Agreement” means the agreement dated January 19, 1999, and revised on December 15, 1999, September 30, 2000 and March 11, 2002 between the Borrower and CAMRAIL pursuant to which the Borrower has awarded a concession to CAMRAIL to operate railway services in its territory, effective as of April 1, 1999, for a period of at least twenty years;

“Environmental and Social Management Plan” or “ESMP” means the action plan adopted by the Borrower and CAMRAIL on January 10, 2002;

“fiscal year” means the Borrower’s fiscal year which, starting as of January 1, 2003, begins on January 1 and ends on December 31 of each calendar year;

“MINT” means the Borrower’s ministry responsible for transport;

“NCO” means non commercial obligations of CAMRAIL as defined in the Concession Agreement;

“Project Agreement” means the agreement between the Association and CAMRAIL of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

“Project Implementation Manual” means the manual adopted pursuant to Section 6.01 (c) of this Agreement, outlining policies, procedures and guidelines, as well as administrative, financial, accounting and reporting procedures, to be followed in the implementation of the Project;

“Railway Environmental and Safety Management Plan” means the action plan, adopted by CAMRAIL in May 1999, and updated in November 2001, and approved by the Borrower on November 28, 2001, for carrying out railway activities;

“RMU” means the Railway Management Unit within MINT established by the Borrower’s Decision No. 0281/MINT/CAB dated March 30, 1999, including its environmental section, responsible for monitoring railway activities and environmental protection in the Borrower’s territories;

“Road Fund” means the fund established and operating pursuant to the Borrower’s Law No. 96/07 dated April 8, 1996, portant protection du patrimoine routier national and Decree No. 98/162, dated August 26, 1998, fixant les modalités de fonctionnement du Fonds Routier;

“SCCF” means SCCF, a Société Anonyme established under the Borrower’s laws and
“SCCF” means SCCF, a Société Anonyme established under the Borrower’s laws and regulations and a majority shareholder of CAMRAIL;

“SECAF” means Société d’Exploitation des Chemins de Fer Africains, a Société Anonyme established under the laws and regulations of the French Republic and a majority shareholder of SCCF;

“REGIFERCAM” means Régie Nationale des Chemins de Fer du Cameroun, the national railway company dissolved by the Borrower’s Decree No. 99/057 dated March 19, 1999;

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

“Special Retirement Fund” means the Fonds de Retraite des Cheminots du Statut Particulier de l’Ex-REGIFERCAM (FOREC SP) established on September 15, 2000 as a mixed-economy company, pursuant to the Protocol, entered into on December 11, 1998, between the Borrower and the staff and retiree staff representatives of ex-REGIFERCAM for ensuring pension and other payments to some of the said retiree staff in accordance with their particular status and rights acquired until April 1, 1999; and

“Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and CAMRAIL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan 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 seventeen million two hundred thousand Special Drawing Rights (SDR 17,200,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFAF, in the name of CAMRAIL, a special deposit 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 3 to this Agreement.

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
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 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 May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 2012, and ending May 1, 2042. Each installment to and including the installment payable on May 1, 2022, 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
(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 French Republic 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause CAMRAIL to perform in accordance with the provisions of the Project Agreement all of the obligations of CAMRAIL therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CAMRAIL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available the proceeds of the Credit to CAMRAIL under a subsidiary loan agreement to be entered into between the Borrower and CAMRAIL, under terms and conditions which shall have been approved by the Association which shall include, *inter alia*, the following: (i) relending the amounts from time to time allocated to Categories (1) (a), (2) and (3) (a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement at an interest rate of not more than six and fifty hundredths percent (6.50%) per annum, the principal to be repaid in twenty (20) years including a grace period of five (5) years; (ii) providing the amounts from time to time allocated to Categories (1) (b), (3) (b) and (c), and (4) of the table set forth in paragraph 1 of Schedule 1 to this agreement as a grant; and (iii) the principal of the amounts repayable by CAMRAIL pursuant to (i) above shall be the equivalent in CFAF (such equivalent to be determined on the respective dates of repayment) of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of Euros as of the respective dates of withdrawal.

(c) Except as the Association shall otherwise agree, the Borrower shall cause CAMRAIL to make principal repayments and interest payments on the amounts relent pursuant to paragraph (b) (i) above, exceeding the debt service charge owed by the Borrower to the Association on said amounts under this Agreement, directly to the Special Retirement Fund.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Concession Agreement in such manner as to protect the interests of the Borrower and the
the Concession Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or the Concession Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by CAMRAIL pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Except as the Association shall otherwise agree, the Borrower shall comply with its obligations under the existing NCO contracts for local passenger services, but shall not enter into new ones for similar services with CAMRAIL.

Section 3.05. The Borrower shall promptly take all action which shall be necessary on its part: (i) under the ESMP and the Railway Environmental and Safety Management Plan; and (ii) to enable CAMRAIL to perform all its obligations under said Plans and to obtain any authorization for the Project required under said Plans.

Section 3.06. The Borrower shall, through the RMU: (a) have the implementation of the ESMP and the Railway Environmental and Safety Management Plan for each fiscal year audited by environmental and railway specialists employed in accordance with the provisions of Section II of Schedule 1 to the Project Agreement; and (b) furnish to the Association not later than six months after the end of each such year the report of such audit of such scope and in such detail as the Association shall have reasonably requested.

Section 3.07 (a) The Borrower shall carry out, jointly with the Association and CAMRAIL, not later than July 31, 2005, a midterm review of the progress made in carrying out the Project. This review shall cover among other things:

(i) the performance by CAMRAIL in carrying out the Project;

(ii) progress on the implementation of the ESMP and the Railway Environmental and Safety Management Plan;

(iii) any issues identified during implementation of the Project and under the Concession Agreement and possible solutions to such issues; and

(iv) a proposed plan of action to implement remaining Project activities, including solutions to any issues mentioned in (iii) above.

(b) The Borrower shall furnish to the Association, at least sixty days prior to such review, a report endorsed by the CMC, in scope and detail satisfactory to the Association, describing the status of progress regarding the items listed in paragraph (a) above and of Project implementation generally.
Section 3.08. At the request of the Association, the Borrower shall prepare a land acquisition and resettlement action plan with respect to Part B (b) (iv) of the Project, and shall furnish it to the Association for its review and approval.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) 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) cause CAMRAIL to maintain in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained by CAMRAIL until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association’s representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall maintain the Special Retirement Fund on terms and conditions satisfactory to the Association.

Section 4.03. The Borrower shall take all necessary measures, satisfactory to the Association, to ensure that fuel used by locomotives and other rail motive power shall be exempted from user charges to the Road Fund.
Section 4.04. The Borrower shall: (a) carry out a study on the price structure of petroleum products supplying the northern part of the Borrower’s territory; and

(b) not later than December 31, 2003, revise, as may be needed, the price structure of petroleum products, taking into account the conclusions of the study referred to in above paragraph (a), in a manner satisfactory to the Association, so as to enable the transport of said products according to the most efficient and cost effective means of transport.

ARTICLE V

Remedies of the Association

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

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

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that CAMRAIL will be able to perform its obligations under the Project Agreement.

(c) The Concession Agreement or CAMRAIL’s Statuts shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CAMRAIL to perform any of its obligations under the Project Agreement.

(d) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of CAMRAIL to withdraw the proceeds of the AFD Loan or the EIB Loan or the PROPARCO and Commercial Banks Loans, or any grant or loan, made to CAMRAIL for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof; and

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

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

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

(b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur; and

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

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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and CAMRAIL;

(b) the Borrower and CAMRAIL have employed the independent auditors referred to in Section 4.01 (b) of the Development Credit Agreement and of the Project Agreement, respectively, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement;

(c) the Borrower and CAMRAIL have adopted the Project Implementation Manual in form and substance satisfactory to the Association; and

(d) the AFD Loan Agreement, the EIB Loan Agreement and the PROPARCO and Commercial Banks Loan Agreements have been executed and delivered and all conditions precedent to their effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

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

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

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

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby
Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Article IV of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for public investments and regional development 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 Public Investments
and Regional Development
Yaoundé
Republic of Cameroon

Cable address: MINPAT
Telex: 8203 KN
Facsimile: (237) 222 15 09
Yaoundé

With copy to:

Caisse Autonome d’Amortissement
P.O. Box 7167
Yaoundé
Republic of Cameroon

Cable address: CAA
Telex: 8858 KN
Facsimile: (237) 222 01 29
Yaoundé

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.

REPUBLIC OF CAMEROON

By /s/ Raymond Epote Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers Acting Regional Vice President Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Amount of the Credit Allocated | % of |
Expressed in Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
<th>Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under:</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>(a) Part A (a) (i), (ii) and (iii) of the Project</td>
<td>2,360,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part B of the Project</td>
<td>960,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods for Part A (a) (i), (ii) and (iii) of the Project</td>
<td>9,400,000</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>(3) Consultants’ services for:</td>
<td></td>
<td>70%</td>
</tr>
<tr>
<td>(a) Part A (a) (i), (ii) and (iii) of the Project</td>
<td>310,000</td>
<td></td>
</tr>
<tr>
<td>(b) Part B of the Project</td>
<td>1,340,000</td>
<td></td>
</tr>
<tr>
<td>(c) for audits</td>
<td>350,000</td>
<td></td>
</tr>
<tr>
<td>(4) Operating costs</td>
<td>180,000</td>
<td>70%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>2,300,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>17,200,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “Operating costs” means incremental expenditures incurred by the RMU on account of Project Implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs, but excluding salaries of officers of the
Borrower’s civil service.

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.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the efficiency and sustainability of the transport sector through support to the concessioning of the railway services in the Borrower’s territory.

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 objective:

Part A: Priority Investment Program

(a) Infrastructure Rehabilitation and Modernization

(i) Modernization and renewal of about 63 kms of track (K’AA - ZING);

(ii) rehabilitation of about 200 kms of tracks with recovered rails (PK506 – BELABO AND BELABO - PANGAR);

(iii) construction and rehabilitation of small and medium structures and bridges;

(iv) acquisition of signaling and radio telecommunications equipment to improve safety in railway operations;

(v) rehabilitation of main train station buildings; and

(vi) extension of the railway system to the port of Douala.

(b) Rehabilitation of Rolling Stock and Track Maintenance Equipment and Workshops

(i) Rehabilitation of about 11 CC Class and 10 BB Class locomotives;
(ii) rehabilitation of about 42 passenger coaches and 220 freight wagons;

(iii) improvement of workshop facilities, including rehabilitation and acquisition of maintenance tools and equipment; and

(iv) rehabilitation and acquisition of track maintenance equipment.

Part B: Environmental Improvement

For the purposes of the implementation of the ESMP and the Railway Environmental and Safety Management Plan:

(a) Carrying out pollution abatement activities consisting of:

(i) clean-up of railway-related sites polluted prior to the effectiveness of the Concession Agreement; and

(ii) engineering studies and supervision of the works undertaken under above paragraph (a).

(b) Other environmental activities:

(i) Carrying out improvement safety measures consisting of the construction of walk bridges and traffic lights for level passages.

(ii) Carrying out of wildlife protection activities against transport of illegal bush meat and tropical hardwood.

(iii) Carrying out of a social assessment concerning the railway right-of-way.

(iv) Carrying out of the resettlement of populations who may be affected as a result of the Project, in compliance with the ESMP.

* * *

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

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

   (a) the terms “eligible Categories” means Categories (1), (2), (3) and (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
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 CFAF 1,100,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 550,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

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

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

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

   (b) if the Borrower or CAMRAIL shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement and Section 4.01 (b) (ii) of the Project Agreement, any of the audit reports required to be furnished to the Association pursuant to any said Section in respect of the audit of the records and accounts for the Special Account;

   (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

   (b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

   (c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

   (d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in
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.