

CONFORMED COPY

CREDIT NUMBER 1868 SE

(Industrial Sector Restructuring Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 5, 1988

CREDIT NUMBER 1868 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 5, 1988, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; 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 Develop-

ment Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "MDIA" means the Borrower's Ministry of Industry and Handicrafts;

(c) "BCEAO" means the Banque Centrale des Etats de l'Afrique de l'Ouest;

(d) "SOFISEDIT" means the Societe Financiere Senegalaise pour le Developpement de l'Industrie et du Tourisme;

(e) "CICES" means Centre International du Commerce Exterieur du Senegal;

(f) "ASACE" means Agence Senegalaise d'Assurance Credit a l'Exportation;

(g) "Sub-loan" means a loan made, or proposed to be made, by a Participating Bank to an Investment Enterprise for an Investment Project under Part A.1 of the Project;

(h) "Investment Enterprise" means an enterprise to which a Participating Bank proposes to make or has made a Sub-loan;

(i) "Investment Project" means a specific restructuring project to be carried out by an existing Investment Enterprise or a specific development project to be carried out by a new Investment Enterprise, utilizing the proceeds of a Sub-loan and fulfilling the conditions set forth in Part A.1 of Schedule 4 to this Agreement;

(j) "Investment Agreement" means an agreement between a Participating Bank and an Investment Enterprise providing for a Sub-loan;

(k) "Subsidiary Loan Agreement" means the agreement to be entered into by BCEAO and the Participating Banks pursuant to Section 3.02 (b) of this Agreement;

(l) "Participating Bank" means a bank established and operating in conformity with the banking laws of the Republic of Senegal, which will enter or has entered into a Subsidiary Loan Agreement with BCEAO;

(m) "Subsidiary Credit Agreement" or "Subsidiary Credit Agreements" mean the agreement to be entered by the Borrower and SOFISEDIT, or the agreements entered into by the Borrower and other banking institutions acceptable to the Association, in accordance with the provisions of Section 3.04 (a) of this Agreement as the same may be amended from time to time;

(n) "Protocol" means the agreement to be entered into by the Borrower and BCEAO pursuant to Section 3.02 (a) of this Agreement;

(o) "CFAF" means the currency of the Borrower and other members of the West African Monetary Union; and

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 24, 1986, September 9, 1986, July 9, 1987 and September 3, 1987, between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-five million Special Drawing Rights (SDR 25,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall open and maintain in CFAF four special accounts (the Special Accounts) on terms and conditions satisfactory to the Association:

- (i) Special Account A for the purposes of carrying out Part A of the Project;
- (ii) Special Account B for the purposes of carrying out Part B.3 of the Project;
- (iii) Special Account C for the purposes of carrying out Parts B.2, B.4, B.5 and C of the Project; and
- (iv) Special Account D for the purposes of carrying out Part B.1 of the Project.

Special Account A and Special Account B shall be opened and maintained in BCEAO and Special Accounts C and D shall be opened and maintained in a commercial bank acceptable to the Association.

Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may, from time to time, be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15, commencing June 15, 1998, and ending December 15, 2027. Each installment to and including the installment payable on December 15, 2007, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the Republic of France hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part B.1 of the Project through the National Office for Vocational Training under the Ministry for National Education, Part B.2 of the Project through the Secretariat of Employment, Part B.4 of the Project through ASACE, Part B.5 of the Project through CICES, and Part C of the Project through MDIA, all with due diligence and efficiency and in conformity with appropriate financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. For purposes of carrying out Part A of the Project, the Borrower shall enter into a Protocol with BCEAO under terms and conditions acceptable to the Association which shall include:

(a) eligibility criteria for Participating Banks and Investment Projects, Sub-loan processing procedures, the definition of BCEAO's responsibilities regarding the administration of the line of credit to be provided under Part A.1 of the Project and the

carrying out of Part A.2 of the Project;

(b) the obligation of BCEAO to enter into Subsidiary Loan Agreements with Participating Banks under terms and conditions which shall have been approved by the Association which shall include an interest rate of five percent (5%) per annum; and

(c) the obligation of BCEAO to ensure that the Participating Banks enter into Investment Agreements with Investment Enterprises under terms and conditions acceptable to the Association which shall include the terms set forth in paragraph A.2 of Schedule 4 to this Agreement.

Section 3.03. (a) When presenting a Sub-loan to the Association for approval, the Borrower shall, through BCEAO, furnish to the Association an application, in a form satisfactory to the Association, together with: (i) a description of the Investment Enterprise and an evaluation of the Investment Project, including a report on the fulfillment of the criteria set forth in Part A.1 of Schedule 4 to this Agreement, and a description of the expenditures proposed to be financed out of the proceeds allocated to Category 1 in the table set forth in paragraph 1 of Schedule 1 to this Agreement; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan and the terms and conditions set forth in Part A.2 of Schedule 4 to this Agreement; and (iii) such other information as the Association shall reasonably request; provided, however, that no prior approval by the Association shall be required for Sub-loans if the same Participating Bank already had prepared two Sub-loans which were approved by the Association and the amount of the proposed Sub-loan does not exceed CFAF 100 million.

(b) Each request for authorization to make withdrawals from the Credit Account in respect of a Sub-loan, for which no prior approval by the Association is required pursuant to the provisions of paragraph (a) of this Section, shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a report on the fulfillment of the criteria set forth in Part A.1 of Schedule 4 to this Agreement, and a description of the expenditures proposed to be financed out of the proceeds of the Credit; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Except as the Borrower and the Association shall otherwise agree, applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall be presented to the Association on or before December 31, 1997.

Section 3.04. For the carrying out of Part B.3 of the Project the Borrower shall:

(a) enter into a Subsidiary Credit Agreement with SOFISEDIT, or Subsidiary Credit Agreements with other banking institutions if so agreed upon by the Borrower and the Association, under terms and conditions acceptable to the Association which shall include an interest rate of three percent (3%) per annum; and

(b) cause SOFISEDIT, or any other banking institution acceptable to the Association, to make loans to displaced individuals for productive activities which shall meet the criteria set forth under Part B.1 of Schedule 4 to this Agreement, and under terms and conditions which shall include those set forth in Part B.2 of Schedule 4 to this Agreement.

Section 3.05. The Borrower shall duly perform its obligations under the Protocol and the Subsidiary Credit Agreements. Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Protocol or the Subsidiary Credit Agreements.

Section 3.06. Except as the Association shall otherwise

agree, procurement of the goods and consultants' services required for Parts A.2, B.1, B.2, B.4, B.5 and C 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 3.07. Upon completion of the study to be carried out under Part C.5 of the Project, the Borrower shall review with the Association its recommendations, agree with the Association on an action plan to implement its recommendations, and take the appropriate measures to implement the action plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

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 Protocol has been signed by the Borrower and BCEAO in accordance with the provisions of Section 3.02 (a);

(b) BCEAO has issued a circular to the banking system, outlining the main features and administrative procedures for Part A.1 of the Project, including the eligibility criteria for Participating Banks and Investment Projects; and

(c) the Association has received signed Subsidiary Loan Agreements with at least two Participating Banks in accordance with the provisions of Section 3.02 (b) of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for finance 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:

Ministère de l'Economie et des Finances
Rue Charles Laine''
B.P. 4017
Dakar, Senegal

Cable address:

MINFINANCES
Dakar, Senegal

Telex:

3203SG

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SENEGAL

By /s/ Falilou Kane
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caio Koch-Weser
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:

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|---|---|--|
| (1) Goods for Invest- ment Projects financed under Sub-loans under Part A.1 of the Project | 18,900,000 | 100% |
| (2) Loans under Part B.3 of the Project | 2,300,000 | 100% |
| (3) Training and consultants' services for Part A.2 of the Project | 225,000 | 100% |
| (4) Training and consultants' services under Part B.1 of the Project | 1,500,000 | 100% |
| (5) Training under Part C of the Project and con- sultants services | 540,000 | 100% |

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|----------------------------------|---|--|
| (6) Consultants' services for | 2,000 | 100% |

| | | | |
|------|--|------------|--|
| | Part B.2 of the Project | | |
| (7) | Consultants' services for Part B.3 of the Project | 150,000 | 100% |
| (8) | Consultants' services for Part B.4 of the Project | 140,000 | 100% |
| (9) | Consultants' services for Part B.5 of the Project | 340,000 | 100% |
| (10) | Equipment and vehicles | 75,000 | 100% |
| (11) | Refunding of Project Pre- paration Advance | 703,000 | Amount due pur- suant to Sec- tion 2.02 (c) of this Agreement |
| (12) | Unallocated | 125,000 | |
| | TOTAL | 25,000,000 | |

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures made by a Participating Bank in respect of Category (1): (i) before the Association shall have approved the Subsidiary Loan Agreement with that Participating Bank; and (ii) unless the Sub-loan for such Investment Project shall have been approved by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the application and information required under Section 3.03 (a) of this Agreement in respect of such Sub-loan; or (iii) for Sub-loans for which no prior approval by the Association is required pursuant to the provisions of paragraph 3.03 (a) unless such Sub-loan shall have been authorized by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the request and information required under paragraph 3.03 (b) of this Agreement in respect of such Sub-loan;

(c) payments made in respect of Category (2) before the Association shall have approved the Subsidiary Credit Agreement with SOFISEDIT, and if the Borrower enters into Subsidiary Credit Agreements with other banking institutions acceptable to the Association, before the Association shall have approved the Subsidiary Credit Agreements with any such banking institutions;

(d) payments made in respect of Category (8) before the Association shall have approved the restructuring program of ASACE; and

(e) payments made in respect of Category (9) before the Association shall have approved the restructuring program for CICES.

Description of the Project

The objectives of the Project are to facilitate the adjustment of the industrial sector to the new policy environment, to support programs of assistance for displaced employees and to strengthen the institutions supporting the adjustment process.

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.

1. Making of Sub-loans through Participating Banks for Investment Projects in the industrial sector.
2. Training of staff members of BCEAO and Participating Banks for the purposes of carrying out Part A.1 of the Project.

Part B.

1. Carrying out of a vocational training program.
2. Formulation of operating procedures for the Secretariat of Employment.
3. Making of loans to displaced individuals of the industrial sector for the carrying out of productive activities.
4. Restructuring of ASACE to modernize its structure and streamline its procedures.
5. Restructuring of CICES to strengthen its export marketing activities and to enhance its interface with the private sector.

Part C.

1. Setting up of a monitoring system of MDIA to track the implementation and assess the impact of industrial policy reforms.
2. Design of specific industrial policy reforms by MDIA.
3. Training (local and overseas) for staff of MDIA responsible for the reform process.
4. Acquisition of vehicles and equipment, including computer equipment for MDIA.
5. Carrying out of a study on the Borrower's environmental issues (including pollution control and occupational and health safety) and legislation relating thereto.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Goods and vehicles shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), in accordance with procedures acceptable to the Association.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, consultants shall be employed whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Part A: Implementation of Part A.1 of the Project:

1. Eligibility Criteria Investment Enterprises made for Investment Projects
 - (a) An incremental financial rate of return of not less than twelve percent (12%).
 - (b) An economic rate of return of ten percent (10%) calculated with the internal rate of return method or any other method acceptable to the Association.
 - (c) A debt/equity ratio of not more than 3:1, provided, however, that a higher ratio might be acceptable, if the Investment Enterprise presented a financial rehabilitation plan acceptable to the Association which establishes that a 3:1 debt/equity ratio will be achieved in a reasonable time period.
 - (d) A liquidity ratio of at least 1.2.
 - (e) A debt service coverage ratio of at least 1.3.

Said ratios shall be calculated in a manner acceptable to the Association, taking into account the Investment Enterprise's total debt, including debt to be incurred in connection with the proposed Investment Project.

2. Terms and Conditions of the Investment Agreements, including the terms of the Sub-Loans
 - (a) Sub-Loans for any Investment Project may not exceed eighty percent (80%) of the total cost of the proposed Investment Project nor a total of the equivalent of CFAF 600 million.
 - (b) An interest rate of nine and one-half percent (9.5%) per annum or such other interest rate as agreed upon by the Borrower and the Association.
 - (c) A maturity of up to thirteen years including a grace period of up to two years.
 - (d) A requirement that the Investment Enterprise shall carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and shall maintain adequate records and account.
 - (e) A requirement that: (i) the goods and services to be financed out of the proceeds of the Sub-Loan shall be purchased at a reasonable price, in conformity with normal commercial practices, account being taken also of other relevant factors such as time of delivery and quality of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them, provided, however, that, if the estimated cost of a contract for goods is in excess of

the equivalent of \$50,000, the contract shall be awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project.

- (f) The Association's right to inspect, by itself or jointly, with representatives of the Participating Bank in question, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents.
- (g) A requirement that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods.
- (h) Release of all such information as the Borrower, the Association, or the Participating Bank, shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project.
- (i) The right of the Participating Bank to suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Sub-Loan upon failure by such Investment Enterprise to perform its obligations under the Investment Agreement.

Part B: Implementation of Part B.3 of the Project:

1. Eligibility Criteria for Activities to be Financed under Part B.3 of the Project

- (a) A financial rate of return of not less than ten percent (10%); and
- (b) a projected debt service coverage exceeding 1.4.

Such ratios shall be calculated in a manner acceptable to the Association.

2. Terms and Conditions of Loans under Part B.3 of the Project

- (a) An interest rate of eight and one-half percent (8.5%) per annum or such other interest rate as agreed upon by the Borrower and the Association.
- (b) A maturity of up to six years including a grace period of up to one year.
- (c) Loans not to exceed ninety percent (90%) of the total cost of the proposed investment to be financed.
- (d) A requirement that: (i) the goods and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and quality of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them; and (ii) such goods and services

shall be used exclusively in the carrying out of the investment for which the Loan has been made.

- (e) The Association's right to inspect, by itself or jointly, with representatives of SOFISEDIT, or another banking institution acceptable to the Association, such goods and the sites, works, plants and construction, the operation thereof, and any relevant records and documents.
- (f) A requirement that: (i) the beneficiary of the Loan shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the beneficiary to replace or repair such goods.
- (g) Release of all such information as the Borrower, the Association, SOFISEDIT, or another banking institution acceptable to the Association, shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the beneficiary and to the benefits to be derived from the envisaged investment.
- (h) The right of SOFISEDIT, or another banking institution acceptable to the Association, to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such beneficiary to perform its obligations under the agreement providing for the Loan.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Category" means any of the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible Categories" means:

- (i) in respect of Special Account A, Categories (1) and (3);
- (ii) in respect of Special Account B, Categories (2) and (7);
- (iii) in respect of Special Account C, Categories (5), (6), (8), (9) and (10); and
- (iv) in respect of Special Account D, Category (4).

(c) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(d) the term "Authorized Allocation" means:

- (i) an amount of CFAF 250 million in the case of Special Account A;

- (ii) an amount of CFAF 32 million in the case of Special Account B;
- (iii) an amount of CFAF 16 million in the case of Special Account C; and
- (iv) an amount of CFAF 16 million in the case of Special Account D.

Such amounts to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of each Authorized Allocation and subsequent withdrawals to replenish the Special Accounts may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the respective Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of each Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Accounts such amounts as shall be required to replenish the Special Accounts with amounts not exceeding the amount of payments made out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of any Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into any Special Account shall be made by the Association when either of the following situations first arises:

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the total amount of the Authorized Allocations.

(b) Thereafter, withdrawal from the Credit Account of the

remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts 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 any Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into any such Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into any Special Account shall be made until the Borrower has made such deposit or refund.

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