

CONFORMED COPY

TF 020271

Grant Agreement

(Commercial Debt Reduction Program)

between

REPUBLIC OF SENEGAL

and

BANQUE CENTRALE DES ETATS DE

L'AFRIQUE DE L'OUEST

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Trustee of

the Debt Reduction Facility
for IDA-Only Countries

Dated May 16, 1996

TF 020271

GRANT AGREEMENT

This AGREEMENT, dated May 16, 1996, is entered into between REPUBLIC OF SENEGAL (Senegal), the BANQUE CENTRALE DES ETATS DE L'AFRIQUE DE L'OUEST (the Guarantor) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as trustee of the Debt Reduction Facility for IDA-Only Countries (the Facility).

WHEREAS: (A) pursuant to Resolutions No. 89-13 and No. IDA 89-4 of the Executive Directors of the International Bank for Reconstruction and Development and the Association, respectively, as amended, the Facility has been established and is being administered by the Association as a trust to provide grants to assist in the reduction of the commercial debt of certain members of the Association;

WHEREAS: (B) Senegal has established a medium-term adjustment program, as described in the Sixth Policy Framework Paper of July 1994 that is acceptable to the Association;

WHEREAS: (C) Senegal has formulated a debt management strategy satisfactory to the Association that: (i) includes a program for resolving the commercial debt problem of Senegal in a comprehensive manner based on funds to be provided by the Facility and other available resources (the Debt Reduction Program); (ii) provides for substantial relief from official bilateral creditors of Senegal; and (iii) will materially enhance Senegal's growth and development prospects;

WHEREAS: (D) the Government of France has confirmed to the Association its intention to make available a contribution to the Facility of one million seven hundred thousand dollars (\$1,700,000) to assist in the financing of the Debt Reduction Program ("the French Contribution");

WHEREAS: (E) the Government of the Netherlands has confirmed to the Association its intention to make available a contribution to the Facility of three million three hundred thousand Netherlands Guilders (NLG 3,300,000) to assist in the financing of the Debt Reduction Program ("the Dutch Contribution");

WHEREAS: (F) the Government of Switzerland has confirmed to the Association that it will make available a contribution to the Facility of two million dollars (\$2,000,000) to assist in the financing of the Debt Reduction Program ("the Swiss Contribution");

WHEREAS: (G) the Guarantor has agreed to enter into an agreement with Senegal (the Senegal/Guarantor Agreement) pursuant to which the Guarantor will (i) provide non recourse secured guarantees for the Exchange Notes as defined herein, and (ii) release Senegal from all liability under such guarantees;

WHEREAS: (H) on the basis of the foregoing, Senegal has requested and the Association has agreed to make available to Senegal and the Guarantor grants out of the funds of the Facility to assist Senegal and the Guarantor in implementing the Debt Reduction Program on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Cash Offer" shall mean the offer by Senegal to purchase Eligible Debt with dollars at the price set out in the Invitation to Creditors;

(b) "Closing Agent or Agent de Réalisation" means the closing agent appointed by Senegal;

(c) "Closing Date" means the date 180 days from the date hereof, or such later date as may be established by the Association for purposes of paragraph 3 of the Schedule to this Agreement;

(d) "Collateral" means that portion of the Grant funds made available to the Guarantor and the Eligible Securities acquired therewith pledged to secure the Guarantees in accordance with the Exchange Agreements and the Debt Reduction Agreements;

(e) "Collateral Depositary" means la Banque de France, whose registered office is located at 39 rue Croix des Petits Champs, 75001 Paris, France, or other financial institution acceptable to the Association acting as custodian of the Collateral under the Guarantor/Collateral Depositary Agreement;

(f) "Creditors" means the holders of Eligible Debt referred to in the Invitation to Creditors;

(g) "Debt Purchase" means the purchase of Eligible Debt by

Senegal pursuant to a Debt Purchase Agreement constituted by acceptance of the Cash Offer;

(h) "Debt Purchase Agreement" means each of the agreements resulting from the acceptance by Creditors of the Offers made by Senegal in the form of the Cash Offer in Invitation to Creditors;

(i) "Debt Reduction Agreements" means (i) the Invitation to Creditors containing the cash buy back and exchange notes option, (ii) the Senegal/Guarantor Agreement, (iii) the Guarantor/Collateral Depositary Agreement, (iv) the Agency Agreement between Senegal and the Agent de Réalisation, and (v) the Security Account Pledge Agreement;

(j) "Debt Reduction Documents" means the Debt Reduction Agreements and the Debt Reduction Instruments;

(k) "Debt Reduction Instruments" means the Acceptations, the Remises de Dette (espèce option 1), the Remises de Dette (échange option 2), the Lettres d'Engagement de Paiement à Long-Terme (including the Guarantees thereto), the Actes de Nantissement du Compte-Titres, and the Mandats to be issued under the Exchange Agreement(s);

(l) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America;

(m) "Eligible Debt" means any or all of the indebtedness of Senegal possessing the characteristics stipulated in the Invitation to Creditors which is eligible for purchase or exchange under the terms thereof;

(n) "Eligible Securities" means the zero coupon securities issued by the United States Treasury, with such face value and maturities as are required under the Exchange Agreement(s) and to be purchased by the Guarantor;

(o) "Exchange Agreement(s)" means each of the agreement(s) between Senegal and Creditors resulting from the acceptance by those Creditors who elect to exchange their Eligible Debt or a portion thereof for Exchange Notes in accordance with Option 2 under the terms of the Invitation to Creditors;

(p) "Exchange Notes" means the Lettres d'Engagement de Paiement à Long-Terme (excluding the Guarantees related thereto), being collateralized non transferable, non interest bearing debt instruments denominated in Dollars to be issued by Senegal in exchange for and in extinction of Eligible Debt in accordance with the provisions of the Exchange Agreement(s) and contained in the Invitation to Creditors to be made by Senegal to the Creditors;

(q) "Grant" means the grant referred to in Section 2.01 of this Agreement;

(r) "Grant Account" means the account opened by the Association on its books in the names of Senegal and the Guarantor to which the amount of the Grant is credited;

(s) "Guarantee(s)" means the non-recourse secured guarantees to be issued by the Guarantor in favor of the holders of the Exchange Notes (Lettres d'Engagement de Paiement à Long-Terme), and to be secured by the Collateral in accordance with the Exchange Agreement(s) and the Securities Account Pledge Agreement;

(t) "Guarantor/Collateral Depositary Agreement" means the agreement to be entered into between the Guarantor and the Collateral Depositary regarding custody and management of the Collateral;

(u) "Invitation to Creditors" means the offer by Senegal to

Creditors to purchase or exchange Eligible Debt in accordance with the provisions contained therein, such invitation to be issued following the effectiveness of this Agreement;

(v) "Securities Account Pledge Agreement" means the Agreement entered into among the Guarantor, the Collateral Depositary and the Creditors who elect for Option 2 in the Invitation to Creditors pursuant to which BCEAO pledges the Collateral.

(w) "Senegal/Guarantor Agreement" has the meaning provided in Preamble (G) to this Agreement;

(x) "Sotexka" means Soci t  Textile de Kaolack.

(y) "Proceeds of the Grant" means any funds withdrawn from the Grant Account by Senegal or the Guarantor, and any proceeds thereof (including all Eligible Securities and the Collateral Account acquired therewith), but shall exclude any interest earned with respect to Collateral; and

(z) "Taxes" shall include imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.

ARTICLE II

The Grant

Section 2.01. The Association agrees to extend to Senegal and the Guarantor, on the terms and conditions set forth in this Agreement, a grant (the Grant) in the amount of eleven million four hundred thousand dollars (\$11,400,000) and the Dollar equivalent of three million three hundred thousand Netherlands Guilders (NLG 3,300,000).

Section 2.02. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account only in accordance with the provisions of the Schedule to this Agreement, as such Schedule may be amended from time to time by agreement between the parties.

Section 2.03. It is the policy of the Association that no Facility funds shall be withdrawn on account of payments for any Taxes levied by, or in the territory of, Senegal. To that end, neither Senegal nor the Guarantor shall cause or permit any proceeds of the Grant to be used as payment for such Taxes.

Section 2.04. Neither Senegal nor the Guarantor nor any other person shall have any rights with respect to the Grant, and the Association shall have no obligations with respect thereto, except as stated in this Agreement. The Association does not assume any fiduciary obligation to, or relationship of agency or trust for or with, Senegal or the Guarantor and shall have no liability to either of them or to any other person for any action taken or omitted to be taken by the Association, except for the performance of its express obligations set forth in this Agreement.

Section 2.05. (a) Unless the Association shall otherwise agree, any proceeds of the Grant held or used other than in accordance with Section 2.02 above and Section 3.02 and the Schedule to this Agreement, following their withdrawal by Senegal or the Guarantor from the Grant Account, shall be immediately refunded by Senegal or the Guarantor (as the case may be) to the Association.

(b) Any refund pursuant to paragraph (a) above shall be made in dollars under such procedures as the Association shall at its discretion direct.

ARTICLE III

Execution of the Debt Reduction
Program; Other Covenants

Section 3.01. (a) Senegal and the Guarantor shall carry out the Debt Reduction Program with due care and diligence and to that end severally undertake to exercise their rights and comply with their obligations under the Invitation to Creditors and the Debt Reduction Agreements and the Debt Reduction Documents in such manner as to protect the interests of the Association at all times.

(b) Neither Senegal nor the Guarantor shall, without the prior written consent of the Association, (i) amend, modify, revoke or terminate the Debt Reduction Program or any of the Debt Reduction Agreements or Documents, or any of the terms of the Exchange Notes or related agreements, waive any provisions thereof or consent in any way to any such amendment, modification, waiver, revocation or termination; nor (ii) in the case of Senegal, permit the Closing Agent to consent to any such amendment, modification, waiver, revocation or termination.

Section 3.02. Senegal and the Guarantor shall ensure that the proceeds of the Grant withdrawn by either of them are used solely for:

(a) (i) the payment of dollar amounts in respect of Cash Offers pursuant to the Debt Purchase Agreements;

(ii) the purchase of the Collateral and subsequent payments to the holders of the Exchange Notes in accordance with the terms of the Exchange Agreements and, except as the Association shall otherwise agree, in each case only in proportion to all other funding provided for such purpose, as identified in Section 5.01 (b) of this Agreement; or

(b) expenditures in connection with the creation and maintenance of the Collateral and other expenditures permitted pursuant to the Schedule to this Agreement.

Section 3.03. (a) Senegal and the Guarantor shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the use of the proceeds of the Grant and all agreements and transactions to which they are parties under the Debt Reduction Program and shall furnish promptly such information in connection with such records and accounts as the Association may reasonably request from time to time.

(b) Senegal and the Guarantor shall:

(i) have the records and accounts referred to in paragraph (a) above 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 four months after the Closing Date, 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 and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 3.04. (a) The Guarantor and Senegal shall permit the

Association's representatives to examine all records and documents within its possession, power or control relevant to the performance of its obligations under this Agreement.

(b) Senegal and the Guarantor shall promptly provide or cause to be provided to the Association copies of all reports and statements and such other notices, certificates, reports and other documentation received, prepared by or on behalf of Senegal or the Guarantor in connection with the Debt Reduction Program as the Association requests.

(c) Promptly after completion of the Debt Reduction Program, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between Senegal and the Guarantor and the Association, Senegal shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the carrying out of the Debt Reduction Program, its cost and the benefits derived and to be derived from it, the performance by Senegal and the Guarantor of their obligations under this Agreement, the performance by Senegal, the Guarantor, the Closing Agent and each Creditor of their respective rights and obligations under the Debt Reduction Documents and the accomplishment of the purposes of the Grant.

Section 3.05. Senegal and the Guarantor and the Association shall cooperate fully to ensure that the purposes of the Grant will be accomplished. To that end, the parties shall:

(a) from time to time, at the request of either one of them, exchange views with regard to the progress of the Debt Reduction Program, the purposes of the Grant, and the performance of their respective obligations under this Agreement; and furnish to one another all such information related thereto as is reasonably requested; and

(b) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a) above.

ARTICLE IV

Suspension; Cancellation

Section 4.01. (a) If any of the following events shall have occurred and be continuing, the Association may, by notice to Senegal and the Guarantor, suspend in whole or in part: (i) the right of the Guarantor or Senegal to make withdrawals from the Grant Account; or (ii) the right of Senegal to make withdrawals from the Grant Account ("the Preparatory Grant Account") opened pursuant to the Grant Agreement Number TF 025965 (Preparation of Commercial Debt Reduction Program) entered into between Senegal and the Association dated December 5, 1994 ("the Preparatory Grant Agreement"), or both:

(i) Senegal and the Guarantor shall have failed to perform any of their respective obligations under this Agreement or under the Preparatory Grant Agreement;

(ii) any representation made, or statement furnished, by Senegal or the Guarantor in connection with this Agreement and intended to be relied upon by the Association in making the Grant shall have been incorrect in any material respect;

(iii) the Association shall have suspended in whole or in part the right of Senegal to make withdrawals under any agreement between Senegal and the Association because of a failure by Senegal to perform any of its obligations under such agreement;

(iv) the right of Senegal or the Guarantor to withdraw proceeds of any financing (other than that provided hereunder) provided to secure the Guarantee(s) shall have been suspended, canceled or terminated;

(v) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Debt Reduction Program can be carried out in whole or in part or that Senegal or the Guarantor will be able to perform their respective obligations under this Agreement or any Debt Reduction Agreement, Document or related agreement;

(vi) Senegal shall have been suspended from membership in or ceased to be a member of the Association, or ceased to be a member of the International Monetary Fund; or

(vii) a breach by the Collateral Depositary of the terms of the Guarantor/Collateral Depositary Agreement occurs.

(b) If Senegal or the Guarantor shall have failed, after the Closing Date, to perform any obligations under this Agreement, the Association may, by notice, suspend in whole or in part the right of Senegal to make withdrawals under any agreement between Senegal and the Association.

(c) The right of Senegal and the Guarantor to make withdrawals from the Grant Account or the right of Senegal to make withdrawals from the Preparatory Grant Account, or from any credit account opened under any of the development credit agreements between Senegal and the Association, shall continue to be suspended until the event or events which gave rise to suspension shall have ceased to exist, unless the Association shall have notified Senegal and the Guarantor that their respective rights to make withdrawals has been restored.

Section 4.02. If: (a) at any time, the Association determines, after consultation with Senegal and the Guarantor, that an amount of the Grant will not be required to finance the Debt Reduction Program pursuant to the terms of this Agreement; or

(b) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account; or

(c) the right of the Guarantor or Senegal (as the case may be) to make withdrawals in respect of any amount from either the Grant Account or the Preparatory Grant Account or from any of the credit accounts referred to in Section 4.01(c), shall have been suspended for a continuous period of thirty days, the Association may, by notice to Senegal and the Guarantor, terminate the right of Senegal and/or the Guarantor to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be canceled.

Section 4.03. The Association shall not have any obligation under this Grant Agreement or otherwise in relation to the Swiss Contribution, French Contribution or the Dutch Contribution (the Contributions): (i) unless and until the Contributions are received by the Association under agreements satisfactory to the Association; (ii) or in any event to make up any shortfall in funds required for the Debt Reduction Program which may arise due to the unavailability, delayed availability or cancellation for any reason of any or any part of the Contributions.

Section 4.04. Notwithstanding any cancellation or suspension under this Article, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Article.

ARTICLE V

Effective Date; Termination

Section 5.01. This Agreement shall not become effective unless the following conditions have been fulfilled:

(a) the Association shall have received evidence satisfactory to it establishing that (i) the Invitation to Creditors, the Debt Reduction Documents and all related agreements are in form and substance satisfactory to the Association and (ii) the Debt Purchase Agreements and Exchange Agreements executed between Senegal and the Creditors in respect of Eligible Debt are in full force and effect and no party thereto has breached any of its obligations thereunder;

(b) the Association shall have received the French Contribution and shall have converted such amount into dollars, and if the Grant is not sufficient to finance the entire Debt Reduction Program, evidence satisfactory to it establishing that financing for the Debt Reduction Program (including the purchase of Collateral) is available to Senegal from other sources under terms and conditions and in an amount acceptable to the Association which, together with the Grant, will be adequate to finance the entire Debt Reduction Program and all closing expenses;

(c) the Association shall have received evidence satisfactory to it establishing that (i) the execution and delivery of this Agreement, the Invitation to Creditors and each Debt Purchase Agreement with Creditors have been duly authorized or ratified by all necessary governmental or corporate action by Senegal and the Guarantor (as the case may be); and (ii) the issue, execution and delivery of the Exchange Agreement(s), the issuance of Exchange Notes by Senegal, the purchase and pledging of the Collateral in accordance with the Securities Account Pledge Agreement by the Guarantor and the issue of the Guarantees by the Guarantor have all been duly authorized by Senegal and the Guarantor (as the case may be) and either have been or will be ratified by all necessary governmental and corporate action;

(d) the Association shall have received evidence satisfactory to it that holders of Eligible Debt aggregating at least sixty percent (60%) of the total reconciled amount of Eligible Debt reported to the Association have entered into Debt Purchase Agreement(s) or Exchange Agreement(s) with respect to such Eligible Debt;

(e) the Collateral Depositary Agreement between BCEAO and the Banque de France is in form and substance satisfactory to the Association, its execution has been or will be ratified by all necessary governmental and corporate action by BCEAO and the Collateral Depositary and upon execution will be legally binding upon them in accordance with its terms;

(f) no event shall have occurred since the date of this Agreement which would have entitled the Association to suspend the right of the Guarantor or Senegal to make withdrawals from either the Grant Account or the Preparatory Grant Account if this Agreement had become effective on such date;

(g) the Association shall have received evidence satisfactory to it that the arrangements for the purchase and pledging of the Collateral and its maintenance for the term of the Exchange Notes have been perfected; and

(h) the provision of evidence as to such other matters as the Association may at its sole discretion request.

Section 5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, Senegal shall furnish to the Association an opinion or opinions satisfactory to the Association from legal counsel

acceptable to the Association, showing that:

(a) this Agreement has been duly authorized or ratified by, and validly executed and delivered on behalf of Senegal and the Guarantor and is legally binding upon them in accordance with its terms;

(b) the execution, delivery and performance of the Invitation to Creditors and all Debt Reduction Documents have been duly authorized or ratified by the Guarantor (in accordance with its statutes and by-laws) and by Senegal (in accordance with the laws of Senegal) and Senegal and the Guarantor have the legal capacity to enter into all agreements and transactions contemplated by and necessary for the Debt Reduction Program;

(c) each of the Debt Purchase Agreements has been duly executed and delivered by Senegal and, assuming due authorization, execution and delivery thereof by the Creditor party thereto, will be legally valid instruments binding upon the parties thereto, and enforceable in accordance with their respective terms;

(d) the execution, delivery and performance of each of the Exchange Agreement(s) have been duly authorized and ratified by Senegal and, assuming due authorization, execution and delivery thereof by the Creditor party thereto and delivery thereof by Senegal, will create legally valid instruments binding upon the parties thereto, and enforceable in accordance with its respective terms;

(e) the execution, delivery and performance of the Guarantees by the Guarantor have been duly authorized and ratified by the Guarantor in accordance with its statutes and by-laws and the Guarantees will constitute legal, valid and binding non recourse guarantees in accordance with their terms and pursuant to French law;

(f) the execution and delivery by Senegal of the Invitation to Creditors, the issuance of the Exchange Notes and the purchase and pledging of the Collateral by the Guarantor and the performance of their respective obligations and exercise of their respective rights thereunder, do not and will not conflict with or result in breach of: (i) the terms or provisions of, or constitute a default under, any agreement, treaty or instrument to which the Guarantor and Senegal is a party; (ii) any law or statute, or any order or regulation applicable to Senegal and the Guarantor of any court, government agency, authority or body or arbitrator having jurisdiction over them, or (iii) in the case of the Guarantor, its statutes, by-laws and other constitutive documents;

(g) the issuance of the Exchange Notes denominated in dollars and for the necessary term has been duly authorized and ratified by all government and corporate action by Senegal;

(h) upon execution the Collateral Depositary Agreement will constitute the legal valid and binding obligations of the parties thereto in accordance with its terms.

(i) the execution, delivery and performance of the Exchange Agreement(s) and the issuance of the Exchange Notes shall not result in the creation of any lien, charge, security interest or encumbrance on or in respect of any assets, properties or revenues of Senegal or any other Senegal public sector obligor; and

(j) the performance by Senegal of its obligations under the Debt Reduction Documents will neither create any obligation or commitment on the part of Senegal or any other Senegal public sector obligor or the Association to any creditor of Senegal that does not participate in the Debt Reduction Program nor breach any obligation or commitment which may be owed by Senegal or any other Senegal public sector obligor to such creditor or any third party.

Section 5.03. Except as the Association shall otherwise agree, this Agreement shall enter into effect on the date on which the Association dispatches to Senegal and the Guarantor notice of its acceptance of the evidence required by Sections 5.01 and 5.02 of this Agreement.

Section 5.04. (a) This Agreement shall terminate upon payment of all amounts withdrawn from the Grant Account up to and including the Closing Date and upon completion of due performance by Senegal and the Guarantor of their respective obligations hereunder provided that if the Guarantor shall not have made any withdrawal from the Grant Account on or before such date (because of the failure of this Agreement to become effective or for any other reason), this Agreement shall terminate immediately thereafter.

(b) Except in the case of termination under the proviso to paragraph (a) of this Section, the obligations of Senegal and the Guarantor set forth in Section 3 of this Agreement shall survive for 60 days following the date on which the Guarantor shall have furnished to the Association the audit described in Section 3.03.

ARTICLE VI

Enforceability of the Grant Agreement; Failure to Exercise Rights; Arbitration

Section 6.01. The rights and obligations of the parties under this Agreement and under the Preparatory Grant Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither Senegal, the Guarantor nor the Association shall be entitled in any proceeding under this Article to assert any claim that any provision of any of such Agreements is invalid or unenforceable because of any provision of the Articles of Agreement of the Association or of the Resolutions mentioned in Clause A of the Preamble to this Agreement.

Section 6.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under this Agreement or under the Preparatory Grant Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 6.03. (a) Any controversy between the parties to this Agreement or under the Preparatory Grant Agreement and any claim by either such party against the other arising under this Agreement or such other Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be Senegal and the Guarantor on one side and the Association on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association; a second arbitrator shall be appointed by Senegal and the Guarantor; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor arbitrator shall have all the powers and

duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to this Agreement or of any claims by either party against the other party arising hereunder.

(k) The Association shall not be entitled to enter judgment against Senegal upon the award, to enforce the award against Senegal by execution or to pursue any other remedy against Senegal for the enforcement of the award, except as such procedure may be available against Senegal otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Guarantor or the Association, the party seeking compliance with such award may take any such action for the enforcement of the award against the Association or the Guarantor, as the case may be.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01 of this Agreement. The parties to this Agreement waive any and all other requirements for the service of any

such notice or process.

ARTICLE VII

Miscellaneous Provisions

Section 7.01. (a) Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Except as otherwise provided in Section 5.03 of this Agreement, such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or telex to the party to which it is required or permitted to be given or made at such party's address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

(b) The following addresses are specified for the purposes of paragraph (a) above:

For Senegal:

Ministere de L'Economie, des Finances et du Plan
Rue Rene Ndiaye
B.P. 4017
Dakar
Senegal
Attention: S.E. Ministre de L'Economie

Tel.:

(221) 210699

Fax:

(221) 224195

For the Guarantor:

Banque Centrale des Etats de L'Afrique de L'Ouest
Avenue A. Fadiga
B.P. 3108
Dakar
Senegal
Attention: H.E. Governor

Tel.:

(221) 231615

Fax:

(221) 239335

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Attn: Director, West Africa Department

Cable Address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

Fax:

Section 7.02. The Minister of Economy, Finance and Planning of Senegal and the Governor of the Guarantor or any person authorized in writing by said persons are designated as the representative of Senegal and the Guarantor for the purposes of taking any action required or permitted to be taken by Senegal and the Guarantor respectively under the provisions of this Agreement.

Section 7.03. Senegal and the Guarantor shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on its behalf, take any action or execute any documents required to be taken or executed by the Recipient under this Agreement (including withdrawal applications) together with the authenticated specimen signature of each such person.

Section 7.04. This Agreement shall be free from any taxes levied by, or in the territory of, the Recipient on or in connection with the execution, delivery or registration hereof.

Section 7.05. This Agreement may be executed in several counterparts, each of which shall be an original.

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

REPUBLIC OF SENEGAL

By /s/ Papa Ousmane Sakho
S.E. Ministre de L'Economie
des Finances et du Plan

BANQUE CENTRALE DES ETATS DE
L'AFRIQUE DE L'OUEST

By /s/ Charles Konan Banny
H.E. Governor

Facility

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Trustee of the Debt Reduction
for IDA-Only Countries

By /s/ Stephen M. Denning
(Acting) Vice President
Africa Region

SCHEDULE

Withdrawal of the Proceeds of the Grant

1. (a) The Proceeds of the Grant may be withdrawn from the Grant

Account to pay:

(i) upon application by Senegal, the Debt Purchase price payable to Creditors pursuant to the Cash Offer;

(ii) subject to evidence satisfactory to the Association as to the tender of at least twenty percent (20%) of Eligible Debt under Exchange Agreement(s) and upon application by the Guarantor, for the acquisition of the Collateral, the issuance of the Exchange Notes (and the appointment of the Collateral Depository); and

(iii) an amount not exceeding two hundred thousand dollars (\$200,000) for incidental costs incurred by Senegal and the Guarantor and approved by the Association, in order to complete the Debt Reduction Program.

Withdrawals pursuant to subparagraph (i) and (ii) of this paragraph may be made not earlier than four business days in advance of the closing date established under the Invitation to Creditors in accordance with the procedures described in paragraph 1(c) of this Schedule. A withdrawal application pursuant to subparagraph 1(a)(i) above shall be a condition precedent to a withdrawal application pursuant to subparagraphs 1(a)(ii) and (iii) above.

(b) Withdrawals pursuant to paragraph 1(a) of this Schedule shall be made in dollars; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Association shall, at the request of Senegal or the Guarantor (with the consent of Senegal), purchase such currency with the proceeds of such withdrawal and provided further, that, whenever it shall be necessary for purposes of this Agreement to determine the value of any currency in terms of dollars, such value shall be as reasonably determined by the Association.

(c) Withdrawals from the Grant Account by Senegal or the Guarantor shall be made only on their respective orders and in accordance with procedures acceptable to the Association, including, in the event proceeds of the Grant are withdrawn prior to the closing date referred to at (a) above, procedures for the maintenance of all such withdrawals in a trust account with an independent trustee (or similar arrangement) acceptable to the Association, and for the automatic refund to the Association of all such proceeds in the event the conditions precedent to the performance of the Debt Reduction Documents are not satisfied or the Debt Reduction Program does not for any reason proceed.

(d) Requests ("Requests") for all withdrawals shall be made by delivery to the Association of an original written application from the representative of Senegal or the Guarantor designated in Section 7.02 of this Agreement (or the authorized delegate of such representative pursuant to such Section), in such form, and containing such statements and agreements and accompanied by such supporting evidence and materials, as the Association shall request, including, without limitation, confirmation of the continuing validity of the opinions furnished to the Association pursuant to Section 5.02 of this Agreement. Requests for withdrawal (in original) must be delivered to the Association no later than five days prior to the date on which the funds are required for closing, subject always to paragraph 1(a) above. Without prejudice to the foregoing, requests pursuant to (a)(iii) above shall be accompanied by documentary evidence in the form of properly itemized invoices and other appropriate vouchers.

2. Notwithstanding the provisions of paragraph 1(a) above, no withdrawal from the Grant Account shall be permitted unless the Association has received evidence satisfactory to it establishing that, (i) the Debt Reduction Agreements remain in full force and effect and no party thereto has breached any of its obligations thereunder; (ii) in the

case of a withdrawal by the Guarantor the conditions precedent to Senegal's obligations to issue the Exchange Notes as set out in the Invitation to Creditors shall have been satisfied and the Association shall have received a certificate to that effect from the Closing Agent; and (iii) neither the Guarantor nor Senegal have any reason to believe that the conditions precedent to the performance by the parties of their obligations under the Debt Reduction Documents will not be satisfied.

3. Neither Senegal nor the Guarantor shall be entitled to make any withdrawal from the Grant Account after the Closing Date unless the Association has, by written notice, extended to a later date the period within which such withdrawals may be made.

4. Any Proceeds of the Grant withdrawn but either unused or held or used other than in accordance with Section 3.02 of this Agreement shall be immediately refunded to the Association (unless it otherwise agrees) by Senegal or the Guarantor. Following payment in full under the Guarantee(s), any Proceeds of the Grant withdrawn at any time under paragraph 1(a)(ii) of this Schedule to secure the Guarantee(s) by means of the Collateral and not disbursed (indirectly or otherwise), in conformity with Section 3.02 of this Agreement, to the beneficiaries of the Guarantee(s) in respect of such payment shall be immediately refunded to the Association by the Guarantor.

5. Any repayment of any Proceeds of the Grant to the Association shall be in the currency in which the same were withdrawn from the Grant Account under such procedures as the Association shall direct.

6. Senegal and the Guarantor shall furnish to the Association evidence of the authority of the person or persons designated to sign the withdrawal applications together with an authenticated specimen signature.

