

CONFORMED COPY

CREDIT NUMBER 2759 SE

Development Credit Agreement

(Private Sector Capacity Building Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 8, 1995

CREDIT NUMBER 2759 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 8, 1995, 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;

(B) the Association has received a letter dated January 13, 1995, from the Borrower describing a program of actions, objectives and policies designed to achieve to strengthen the performance of the Borrower's private sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) Part A of the Project will be carried out by the Private Sector Foundation (PSF) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PSF the proceeds of the Credit as provided in this Agreement; 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 PSF;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted.
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

- (a) "MEFP" means the Ministry of Economy, Finance and Planning of the Borrower;
- (b) "Cellule de Controle" means the Cellule de Controle et de Gestion du Portefeuille de l'Etat, a unit within the MEFP which has the responsibility of handling the Privatization Program of the Borrower (as hereinafter defined);
- (c) "Privatization Program" means the privatization program of the Borrower initiated in the context of the Private Sector Adjustment and Competitiveness Project financed under a Credit from the Association (Credit No. 2681-SE);
- (d) "CRG" means Competitiveness Review Group, an organization established pursuant to the Borrower's Decree No. 95-414, with the responsibility of identifying policy and regulatory constraints of the private sector and designing and implementing remedial measures;
- (e) "LRC" means Legal Reform Committee, a committee established pursuant to Decree No. 94-895 of the Borrower, dated September 5, 1994, for the purpose of coordinating legal reform activities;
- (f) "PSF" means Private Sector Foundation, an entity established in accordance with the Borrower's Law No. 95-11, and Decree No. 95-490, with the mandate to assist private business enterprises to increase their competitiveness and efficiency through business advisory services;
- (g) "Consultative Committee" means the Committee of the PSF, appointed in accordance with the provisions of the statutes of the PSF, dated May 11, 1995, for the purpose of advising the managing director of PSF;
- (h) "Project Agreement" means the agreement between the

Association and PSF 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;

(i) "Convention" means the agreement to be entered into between the Borrower and PSF pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes the Manual of Procedures (as hereinafter defined) and all schedules to the Convention;

(j) "Manual of Procedures" means the operational manual, approved by the Association, to be used by the Borrower and the PSF for the implementation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Manual of Procedures;

(k) "Special Account" means any one of the accounts referred to in Section 2.02 (b) of this Agreement;

(l) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to the exchange of letters dated, March 1, 1994 and March 24, 1994, and March 20, 1995 and April 14, 1995, between the Borrower and the Association;

(m) "Implementation Program" means the program set forth in Schedule 4 to this Agreement;

(n) "Sub-project" means the business advisory services financed by PSF under Part A of the Project on the basis of cost-sharing between PSF and beneficiary private sector enterprises;

(o) "Financing Agreement" means any of the agreements between PSF and a Beneficiary Enterprise pursuant to which PSF agrees to finance part of the cost of the Sub-project to be carried out by such enterprise;

(p) "Beneficiary Enterprise" means such private enterprises and institutions receiving financing from PSF, in accordance with the criteria described in the Manual of Procedures; and

(q) "CFAF" means Franc de la Communauté Financière d'Afrique, the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million Special Drawing Rights (SDR 8,000,000).

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

(b) The Borrower may open and maintain in CFAF a special deposit account, for the purposes of Parts A and B of the Project, (PSF Special Account) and a special deposit account for the purposes of Part C of the Project, (MEFP Special Account), both in commercial banks acceptable to the Association, 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 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 April 30, 2001, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent ($1/2$ of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 per cent ($3/4$ 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 1 and December 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 semi-annual installments payable on each June 1 and December 1 commencing December 1, 2005 and ending June 1, 2035. Each installment to and including the installment payable on June 1, 2015, 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 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 carry out, through CRG and LRC, Parts B.1 and B.2 of the Project with PSF's assistance and, through MEFPP, Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project.

(b) The Borrower shall cause PSF to perform in accordance with the provisions of the Project Agreement all the obligations of PSF 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 PSF to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall make the proceeds of the Credit allocated to Parts A and B of the Project available to PSF under a Convention to be entered into between the Borrower and PSF, on a non-reimbursable basis and under such terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the Convention 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 Convention or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. 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 Part A of the Project shall be carried out by PSF pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation upon the provisions of

Article IX of the General Conditions, the Borrower shall:

(a) prepare and furnish to the Association, not later than six months after the Closing Date, or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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 Part C of the Project of the departments or agencies of the Borrower responsible for carrying out Part C of the Project or any part thereof.

(b) The Borrower shall:

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

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

- (i) maintain or cause to be maintained 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 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;
- (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 expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

- (a) PSF shall have failed to perform any of its obligations under the Project Agreement, or the Convention.
- (b) 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 PSF will be able to perform its obligations under the Project Agreement.
- (c) Law No. 95-11 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PSF to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PSF or for the suspension of its operations.
- (e) 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 Program or a significant part thereof will be carried out.

Section 5.02. Pursuant to Section 7.01 (d) 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; and
- (b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

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 Convention, under the terms and conditions acceptable to the Association has been executed on behalf of the Borrower and PSF;
- (b) the Borrower has finalized and furnished to the Association, an action plan, and timetable, acceptable to the Association, for the implementation of Part C.1 of the Project;
- (c) the Borrower has finalized and furnished to the Association, an action plan, and timetable, acceptable to the Association, for the implementation of Part C.2 of the Project;
- (d) PSF has established a project accounting system

acceptable to the Association; and

(e) the Borrower has appointed an auditor for the Project, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

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 PSF, and is legally binding upon PSF in accordance with its terms; and

(b) that the Convention has been duly authorized or ratified by the Borrower and PSF and is legally binding upon the Borrower and PSF in accordance with its terms.

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.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Economy, Finance and Planning
Rue Charles Laine
B.P. 4017
Dakar, Senegal

Cable address:	Telex:
MINIFINANCES Dakar	3203 G

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC)

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/ Mamadou Mansour Seck

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Rogerson

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
Parts A and B of the Project:		
(1) Goods (including vehicles and equipment)	150,000	100%
(2) (a) Consultants services	1,000,000	100%
(b) Consultants' services under the Sub-projects	3,200,000	100% of amounts paid by PSF
(3) Operating costs	1,300,000	100% until October 31, 1998 and 85% thereafter

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part C of the Project:		
(4) Goods (including vehicles and equipment)	50,000	100%
(5) Service contracts	300,000	100%
(6) Consultants' services	950,000	100%
(7) Operating costs	50,000	100% until December 31, 1997 and 85% thereafter
(8) Refunding of Project Prepara-	400,000	Amount due pursuant to

tion Advance

Section 2.02 (c)
of this Agreement

(9) Unallocated	600,000
TOTAL	8,000,000

2. For the purposes of this Schedule:

(a) "Operating Costs" means the incremental operating costs incurred under the Project on account of local staff salaries for PSF, CRG and LRC and allowances, maintenance of vehicles and equipment, fuel and office rent, supplies and services; and

(b) "Service Contracts" means the costs incurred on account of the advertisement and dissemination of information under Part C.2 of the Project.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement; and

(b) no withdrawals shall be made in respect of payments against Categories 1 through 3, unless: (i) PSF has finalized and furnished to the Association a roster of consultants for the purpose of Part A of the Project, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (ii) PSF has appointed a managing director, a Project chief, a chief administrator, an accountant and an administrative secretary, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (iii) PSF has established the Consultative Committee; and (iv) the agreements between CRG and PSF and LRC and PSF, referred to in paragraph 2 of Schedule 4 to this Agreement, have been executed.

4. It is understood that the disbursement percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of provisions in Sections 309 and 1091 respectively of the Law No. 92 of the Borrower, dated July 9, 1992, (the Code General des Impots) which exempts goods to be financed from the proceeds of the Credit from taxes and customs duties levied by the Borrower. If any change is made to said law which has the effect of levying taxes or customs duties on such goods, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$100,000 equivalent, and services from consulting firms under contracts not exceeding \$100,000 equivalent and from individual consultants under contracts not exceeding \$50,000, equivalent under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) increase the competitiveness and efficiency of private enterprises and institutions; (ii) deepen the policy reform process by identifying the constraints to private sector development and devising appropriate measures to eliminate them; (iii) improve the legal framework for private sector activities; (iv) accelerate the divestiture program initiated by the Borrower; and (v) engender support to reform process through information and communication.

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: Private Sector Capacity Building

Strengthening of private sector enterprises and institutions through the organization of training, seminars and workshops, and the provision of technical advisory services to improve management, technical and related matters on a cost-sharing and demand driven basis between PSF and the Beneficiary Enterprises.

Part B: Policy and Legal Reform

1. Carrying out of a broad range of studies as well as organization of workshops and seminars to render the policy and regulatory framework more conducive to competition, competitiveness, and the development of new and existing private enterprises.

2. (a) Carrying out of studies and review of legislation governing the creation, registration and functioning of commercial and business enterprises; and (b) strengthening and upgrading of the processing and administrative capabilities of the judicial institutions through the provision of word and data processing and filing equipment, books and journals, and organization of training for staff of the said institutions, and refresher courses to judges.

Part C: Institution Strengthening

1. Strengthening of the Cellule de Controle to facilitate and accelerate the Privatization Program of the Borrower through the provision of equipment, and technical advisory services to enable the Borrower to enter into sub-contracts with the private sector, the sale of enterprises owned by the Borrower and carrying out of technical and financial evaluation of the said enterprises.

2. Strengthening of the Borrower's agencies and entities to prepare and implement an information/education/communication campaign and dissemination of information regarding the Borrower's economic policy and private sector development activities.

* * *

The Project is expected to be completed by October 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost \$30,000 or more per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Office equipment, computers, vehicles and other goods estimated to cost less than \$30,000 equivalent per contract and \$100,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

Implementation Program

1. The Borrower and the Association shall, not later than three months prior to the end of each year, starting from 1996, undertake, in conjunction with PSF, CRG and LRC, an annual review to discuss the work program and budget for the forthcoming year. The review shall use, as working documents, reports that shall have been prepared by the Borrower, PSF, CRG and LRC on a semiannual basis and furnished to the Association.

2. (a) The Borrower and the Association shall, not later than March 31, 1997 and September 30, 1998, respectively, undertake, in conjunction with PSF, CRG and LRC, joint reviews of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower and PSF of their respective obligations under this Agreement and, in particular: (i) the progress achieved by the Borrower and PSF, respectively, during the period reviewed, having regard to the performance indicators agreed upon between the Borrower and the Association; (ii) the status of financial and procurement performance under the Project; (iii) the proposed budget and work program for the remaining period; (iv) the adequacy of arrangements for the selection, financing and implementation of different activities under the Project; (v) the ability of PSF to raise revenues to finance part of its operating costs; and (vi) in order to consolidate the achievements of the Project, details of a proposed plan to ensure the best use of the resources.

(b) Not later than one month prior to each of the joint reviews referred to above, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at the said review.

(c) Following each of the joint reviews, the Borrower shall act promptly and diligently, in order to take, or assist PSF, CRG and LRC, in taking, any corrective action deemed necessary to remedy any short-coming noted in the implementation of the Project, or to implement, or assist PSF in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

3. Except as the Association shall otherwise agree, the Borrower shall cause CRG and LRC to enter into agreements with PSF for the purpose of carrying out procurement, accounting and auditing by PSF on behalf of CRG and LRC, under Parts B.1 and B.2 of the Project respectively. The agreements shall include, inter alia, provisions whereby:

- (i) procurement of goods and services carried out by PSF on behalf of CRG and LRC shall be governed by the provisions of Schedule 3 to this Agreement;
- (ii) CRG and LRC shall independently implement Part B.1 and B.2 of the Project respectively in accordance with action plans approved by the Association;
- (iii) CRG and LRC shall agree to assist PSF in complying with the audit and accounting covenants in respect of their respective parts of the Project; and
- (iv) CRG and LRC shall agree to use the goods and services financed out of the proceeds of the Credit exclusively for the purposes of the Project.

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of PSF Special Account, Categories 1 through 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) in the case of MEFP Special Account, Categories 4 through 7 set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

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

(c) the term "Authorized Allocation" means: (i) in the case of PSF Special Account, an amount equivalent to FCFA 300,000,000 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 FCFA 200,000,000 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 1,000,000; and (ii) in the case of MEFP Special Account, an amount equivalent to FCFA 150,000,000 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 FCFA 100,000,000 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 300,000.

2. 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 the Authorized Allocation and subsequent withdrawals to replenish the Special accounts 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 each of the Special Accounts 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 Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts 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 Accounts 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 Accounts 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 Accounts, 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 Accounts:

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

(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 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 the Special Accounts: (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 Accounts (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 Accounts 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 Accounts 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 Accounts.

(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 accordance with the relevant provisions of this Agreement, including the General Conditions.

