

CONFORMED COPY

CREDIT NUMBER 3876 CM

Development Credit Agreement

(Community Development Program Support Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 8 , 2004

CREDIT NUMBER 3876 CM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 8, 2004, between the REPUBLIC OF CAMEROON (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated January 14, 2004, describing a program of actions and objectives designed, *inter alia*, to support the implementation of the Borrower's rural development strategy (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association assist in the financing of the Program through a series of credits over a period of approximately twelve years to be utilized by the Borrower in the implementation of the Program; and

(C) the Borrower, having satisfied itself as to the feasibility and priority of the first phase of the Program, hereafter called the Project, as described in Schedule 2 of this Agreement, has requested the Association to assist in the financing of the Project;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means a Community-Based Organization (as hereinafter defined) or a Commune (as hereinafter defined) in the Project Area (as hereinafter defined), which has met the eligibility criteria set out in the Project Implementation Manual (as hereinafter defined), and the requirements of paragraph B.1 of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Subproject Grant (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(b) “CAA” means the *Caisse Autonome d’Amortissement du Cameroun* ;

(c) “CFA Francs” or “CFAF” means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Borrower;

(d) “Commune” means a decentralized local government entity (*commune rurale*) established and operating under the laws of the Borrower (Law Nr. 74/23 dated December 5, 1974, relating to communal organization and any amendment thereto);

(e) “Community Based Organization” means a community based organization established and operating pursuant to the laws of the Borrower;

(f) “Communal Decision Committee” (*Comité Paritaire d’Approbation et de Supervision de niveau communal*) means each of the Borrower’s Decision Committee established pursuant to the (the Project Implementation Arrêté)(as hereinafter defined), and operating at the Commune level in the Project Area;

(g) “Communal Development Plan” means the development plan to be prepared by Communes and approved by the Provincial Decision Committee (as hereinafter defined) pursuant to the Project Implementation Arrêté;

(h) “Displaced Persons” means persons who, on account of the execution of any Sub-project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Displaced Person” means any of the Displaced Persons;

(i) “Environmental and Social Management Framework” means the document, adopted by the Borrower on June 19, 2003, consisting of a framework outlining the modalities for social and environmental screening of Subprojects and rules and procedures for the preparation and implementation of social and environmental assessments to be complied with, as the case may be, prior to carrying out a Subproject;

(j) “FEICOM” means the *Fonds Spécial d’Equipement et d’Intervention Intercommunale* established and operating under the laws of the Borrower (Law Nr. 74/23 dated December 5, 1974, relating to communal organization and any amendment thereto);

(k) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(l) “Financing Agreement” means the agreement to be entered into between the Borrower and a Beneficiary for the purposes of carrying out and financing a Subproject;

(m) “Indigenous Peoples Development Plan” means the document adopted by the Borrower on June, 19, 2003, defining specific measures to be implemented for Baka, Kola and Aka minorities in order to protect them and to ensure that members of said minorities be granted equal legal, financial and organizational opportunities under the Program;

(n) “Local Development Plan” means the development plan to be prepared by base communities within the Commune and approved by the Communal Decision Committee pursuant to the Project Implementation Arrêté;

(o) “Mini Waste Management Plan” means the waste management plan to be prepared by Beneficiaries in connection with Subprojects under conditions defined in the Environmental and Social Management Framework;

(p) “Mini Pest Management Plan” means the pest management plan to be prepared by Beneficiaries in connection with Subprojects under conditions defined in the Environmental and Social Management Framework;

(q) “MINAGRI” means the Borrower’s Ministry of Agriculture;

(r) “MINAS” means the Borrower’s Ministry of Social Affairs;

(s) “MINATD” means the Borrower’s Ministry of Territorial Administration and Decentralization;

(t) “MINCOF” means the Borrower’s Ministry of Women’s Affairs;

(u) “MINEDUC” means the Borrower’s Ministry of National Education;

- (v) “MINEF” means the Borrower’s Ministry of Environment and Forests;
- (w) “MINEPAT” means the Borrower’s Ministry of Economic Affairs, Programming and Regional Development;
- (x) “MINEPIA” means the Borrower’s Ministry of Livestock, Fisheries and Animal Industries;
- (y) “MINFIB” means the Borrower’s Ministry of Finance and Budget;
- (z) “MINJES” means the Borrower’s Ministry of Youth and Sports;
- (aa) “MINMEE” means the Borrower’s Ministry of Mines, Water Resources and Energy;
- (bb) “MINSANTE” means the Borrower’s Ministry of Public Health;
- (cc) “MINTP” means the Borrower’s Ministry of Public Works;
- (dd) “MINTRANS” means the Borrower’s Ministry of Transport;
- (ee) “MINUH” means the Borrower’s Ministry of Town Planning;
- (ff) “NCU” means the National Coordination Unit (*Cellule Nationale de Coordination*) established and operating pursuant to the Project Implementation Arrêté;
- (gg) “Policy Framework for Resettlement” means the policy framework for land acquisition, compensation, resettlement and rehabilitation of Project Displaced Persons dated June 19, 2003, adopted by the Borrower through the decision of its Minister of Economic Affairs, Programming and Regional Development, dated June 19, 2003, as said policy framework may be amended from time to time with the prior concurrence of the Association;
- (hh) “Project Account” means the account referred to in Section 3.04 (a) of this Agreement;
- (ii) “Project Administrative, Financial and Accounting Manual” means the manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted by the Borrower on December 29, 2003, as the same may be

amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual;

(jj) “Project Area” means the Borrower’s following provinces: *Province du Sud, Province de l’Adamaoua Province du Centre, Province de l’Ouest, and Province du Nord*;

(kk) “Project Implementation Arrêté” means the Borrower’s arrêté No. 002/PM dated January 9, 2004, “*Portant organisation du cadre institutionnel d’exécution du Programme National de Développement Participatif*”;

(ll) “Project Implementation Manual” means the manual outlining, *inter alia*, the institutional, disbursement and procurement arrangements for the implementation of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted by the Borrower on December 29, 2003, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Implementation Manual;

(mm) “Project Monitoring and Evaluation Manual” means the manual outlining the monitoring and evaluation arrangements of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted by the Borrower on December 29, 2003, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Monitoring and Evaluation Manual;

(nn) “Project Preparation Advances” means the two project preparation advances granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 8, 2002, and on behalf of the Borrower on February April 16, 2002, and to the letter agreement signed on behalf of the Association on October 23, 2003 and on behalf of the Borrower on November 7, 2003;

(oo) “PPU” means each of the Provincial Project Units (*Cellule Provinciale du Programme*) established at the provincial level pursuant to the Project Implementation Arrêté and operating in the Project Area;

(pp) “Provincial Decision Committee” (*Comité Paritaire d’Approbation et de Supervision de niveau Provincial*) means each of the Borrower’s Decision Committee established at the province level pursuant to the Project Implementation Arrêté, and operating in the Project Area;

(qq) “Resettlement Action Plan” means the document to be prepared by Beneficiaries in connection with Subprojects and presented to Communal or Provincial

Decision Committees, as the case may be, pursuant to the Resettlement Policy Framework;

(rr) “SC” means the Steering Committee for the Project established and operating pursuant to the Project Implementation Arrêté, and referred to in paragraphs A.3 and A.5 of Schedule 4 to this Agreement;

(ss) “Second Generation Special Accounts” means the accounts referred to in Section 2.02 (c) of this Agreement;

(tt) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(uu) “Subproject” means a specific activity to be carried out in the Project Area and financed, or proposed to be financed through a Subproject Grant under Part A of the Project;

(vv) “Subproject Grant” means a grant by the Borrower made, or proposed to be made, by a PPU to finance a Subproject under Part A of the Project;

(ww) “Subproject Management Committee” means the committee to be established for the purposes of managing, monitoring and supervising its Subproject; and

(xx) “Technical Support Agency” means, any of the decentralized technical public services of the Borrower, or any other entity providing assistance to the Beneficiaries for: (i) the preparation of Local or Communal Development Plans, as the case may be; and (ii) the identification, appraisal, preparation and supervision of Subprojects.

ARTICLE II

The Credit

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirteen million six-hundred thousand Special Drawing Rights (SDR 13,600,000)(the Credit).

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, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFA Francs two separate special deposit accounts, one for Part A of the Project (Special Account A), one for Parts B, C and D of the Project (Special Account B), each in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Upon completion of a financial management system review, to be found satisfactory by the Association, to evaluate the financial management system in place in each PPU, the Borrower may additionally open and maintain in CFA Francs, for the benefit of each PPU, one Second Generation Special Account of Special Account A, each in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and or attachment.

(d) 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 Advances 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 Advances shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) Each commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account, or canceled; and (ii) at the respective 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 respective 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) Each 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 February 1st and August 1st in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1st and August 1st commencing August 1st, 2014 and ending February 1st, 2044. Each installment to and including the installment payable on February 1, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment of the Credit 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 objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, institutional, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for 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. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of the Project:

(a) open and thereafter maintain, for the duration of the Project, an account in CFA Francs (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial contribution of CFA Francs 60,000,000;

(c) thereafter deposit in the Project Account, at the beginning of each calendar quarter, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of CFA Francs 90,000,000, or whenever the balance of the Project Account shall be less than CFA Francs 70,000,000; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition of those financed from the proceeds of the Credit.

Section 3.05. Within six months of the Effective Date, the Borrower shall have remitted to the Association the audit report on the FEICOM, and adopted an action plan, satisfactory to the Association, for the channeling of funds to Communes.

Section 3.06. Within six months of the Effective Date, the Borrower shall ensure that representatives listed in the Project Implementation Arrêté are designated within the SC.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

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

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

- (a) a situation shall have arisen which shall make it impossible that the Program or a significant part thereof will be carried out; and

(b) the Project Implementation Arrêté, shall have been amended, suspended, abrogated, repealed or waived so to materially and adversely affect the implementation of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Project Account has been opened and the initial contribution referred to in Section 3.04 (b) of this Agreement has been deposited therein;

(b) the Borrower has established an accounting and financial management and monitoring and evaluation system for the Project satisfactory to the Association; and

(c) the Borrower has employed the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Economic Affairs, Programming and Regional Development is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economic Affairs, Programming and Regional Development
Yaoundé
Republic of Cameroon

Cable address:	Telex:	Facsimile:
MINPAT	8203 KN	(237) 22 15 09

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

REPUBLIC OF CAMEROON

By /s/ Jerome Mendouga
Authorized Representative

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By /s/ Ali Khadr
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Financing

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 and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	27,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods and vehicles	662,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultants' services and audits	2,200,000	72% of foreign expenditure and 70% of local expenditure
(4) Training	655,000	100%
(5) Subproject Grants	6,800,000	100% of amounts disbursed
(6) Operating Costs	1,700,000	70%
(7) Refunding of Project Preparation Advances	900,000	Amount due pursuant to Section 2.02 (d) of this Agreement
(8) Unallocated	656,000	
TOTAL	<u>13,600,000</u>	

2. For the purposes of this Schedule:

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

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

(c) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs and salaries of local support staff, but excluding salaries of officials of the Borrower’s civil service; and

(d) the term “Training” means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

3. 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; and

(b) a Subproject Grant under Category (5) unless the Subproject Grant has been made in accordance with the criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of paragraph B of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$500,000 equivalent each; (b) services under contracts costing less than \$200,000 equivalent each for consulting firms and less than \$100,000 equivalent each for individual consultants; and (c) civil works, Training and Operating Costs, each under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to design and implement mechanisms that aim to empower Communes and Community Based Organizations so as to give them the means of an effective participation in local development. .

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A: **Supporting local development**

Provision of Subproject Grants to Beneficiaries for the carrying out of Subprojects to support local development, including, in particular the following activities: (a) collective social investments, including, but not limited to: construction and rehabilitation of schools, classrooms, health posts, HIV/AIDS prevention centers, rural roads and bridges, rural electrification, sanitation and water supply; training of teachers and of health personnel; literacy; and land tenure initiatives; (b) construction and rehabilitation of public marketing infrastructures such as markets, storage, slaughterhouses; (c) technical assistance for natural resource management activities for a better erosion control, soil fertility, community and communal forest management; and (d) technical assistance for the strengthening of micro-finance institutions.

Part B: **Supporting the decentralization process**

1. Carrying out of studies and provision of technical and advisory services to support the finalization of the preparation of legal and regulatory framework for local governance in particular regarding fiscal decentralization, including on mechanisms to transfer funds to municipalities.

2. Supporting capacity-building of the Communes through: (a) studies to assess Communes' capacities and develop capacity-building programs; (b) trainings (according to identified needs) for elected authorities as well as Communes' staffs (e.g., communal accounting, decentralization, conflict resolution, local development); and (c) equipment, mainly in the form of information technology to allow adequate financial management and monitoring and evaluation.

3. Supporting MINATD's outreach and communication campaigns on decentralization among administrations and in particular through: (a) workshops on

decentralization; (b) trainings on decentralization; and (c) field trips in Cameroon and other countries where the decentralization process is more advanced.

Part C: Capacity building at the local level

1. Supporting local development stakeholders through: (a) technical assistance to base communities within the Communes to define themselves, prepare and monitor the implementation of their Local Development Plans; (b) technical assistance to Communes to prepare and monitor the implementation of their Communal Development Plans; (c) training and technical assistance to Beneficiaries to implement Subprojects (such training and technical assistance to include community-based procurement, financial management and project management, knowledge of and compliance with Cameroon's and donors' safeguard issues); and (d) financing part of the Communal Decision Committees' and Provincial Decision Committees' operating costs, including field missions to supervise implementation of approved Subprojects and trainings in various areas such as local development, Cameroonian sector policies, strategic planning, safeguard policies, and participatory monitoring.

2. Specific trainings and outreach campaigns in areas such as literacy, HIV/AIDS prevention, hygiene, nutrition, community-based integrated environmental management, community forestry and micro-credit and savings.

Part D: Supporting project management and coordination, monitoring and evaluation, and communication.

1. Supporting project implementation, project coordination and financial management through: (a) technical advisory services and operating costs, the rehabilitation of office space, training and the acquisition of equipment and vehicles for the NCU and PPUs; and (b) specific workshops and meetings aimed at better coordination among ministries and better liaison with donors.

2. Provision of technical advisory services for the carrying out of technical audits and financial audits under the Project, as well as activities under the Project Monitoring and Evaluation Manual.

3. Workshops and technical advisory services to support the implementation of the Project's communication strategy .

* * *

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

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost \$1,000,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Small works including rehabilitation of offices of the NCU and PPUs estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of national and international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Goods estimated to cost less than \$50,000 equivalent per contract may be procured from the Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community Participation

Goods and works required for Part A of the Project shall be procured in accordance with procedures acceptable to the Association, as set forth in the Project Implementation Manual.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for works estimated to cost the equivalent of \$1,000,000 or more; (b) each contract for goods estimated to cost the equivalent of \$500,000 or more; and (c) the first three contracts for works and the first three contracts for goods awarded under National Competitive Bidding procedures, 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for small studies, engineering design and supervision, monitoring and evaluation and short term assignments estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for project implementation and assignments in such sectors as agriculture, economics, sociology, land tenure and other types of short-term appointment that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, or may be selected on a sole-source basis in accordance with the provisions of paragraphs 3.8 to 3.11 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$100,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval.

The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply. However, the exception to prior review by the Association shall not apply to : (a) the terms of reference of such contracts, regardless of their estimated cost; (b) all contracts for audit services, regardless of their estimated cost; and (c) annual programs for local and overseas training and workshops, including terms of reference and estimated budgets.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation

1. Within sixty days of the Effective Date, the Borrower shall take all measures necessary on its part to organize, in conjunction with the Association, a workshop for the launching of the Project which shall cover, *inter alia*, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

2. Except as the Association and the Borrower shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual, the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan in a manner satisfactory to the Association; and (b) not amend or waive, or permit to be amended or waived, the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual, the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan, or any provision thereof, in a manner which may materially and adversely affect the implementation of the Project.

3. SC and NCU

During the execution of the Project, the Borrower shall cause: (a) SC to meet twice yearly in ordinary sessions; and (b) NCU to prepare for SC, with sufficient advance before such meetings, a report regarding the implementation of the Project during the preceding semester.

4. Annual Consultations

The Borrower shall cause NCU and the PPUs to organize annual regional workshops to establish annual priorities for local development activities in conformity with the provisions of the Project Implementation Manual.

5. The Borrower shall ensure that, at all times during the execution of the Project:

(a) in compliance with the the Project Implementation Arrêté, SC shall define and manage the activities under the Project and supervise its implementation, and

NCU, in collaboration with the PPU, shall be responsible for the coordination of the Project's implementation;

(b) the qualifications and experience of the staff within NCU and the PPU, in charge directly or indirectly of the implementation of any parts of the Project, shall be satisfactory to the Association;

(c) SC, NCU, the PPU, the Provincial Decision Committees and the Communal Decision Committees are established in compliance with the provisions of the Project Implementation Arrêté and the SC, NCU and PPU shall be maintained with functions and composition satisfactory to the Association; and

(d) the relevant Ministries, Agencies and authorities (in particular MINEPAT, MINAGRI, MINEPIA, MINEF, MINSANTE, MINATD, MINEDUC, MINAS, MINUH, MINMEE, MINTP, MINCOF, MINJES, MINTRANS, MINFIB, CAA and FEICOM), shall collaborate with NCU, the PPU, the Provincial Decision Committees and the Communal Decision Committees in compliance with the provisions of the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual, the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan;

(e) Local Development Plans and Communal Development Plans are prepared in compliance with the provisions of the Project Implementation Manual.

B. Subprojects and Subproject Grants

1. Without limitation upon the provisions of paragraph A.1 above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless the relevant Provincial Decision Committees and the Communal Decision Committees, as the case may be, has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include, *inter alia*, the following:

(a) the Subproject shall be initiated by a Beneficiary;

(b) the Subproject shall be for any of the types of activities referred to in Part A of the Project; provided that the Subproject shall not be for any of the types of activities indicated in the negative list of activities set forth in the Project Implementation Manual;

(c) there is no other source of financing proposing to finance the same activities, it being understood that co-financing is not excluded;

(d) the Subproject is consistent with the Local Development Plan or Communal Development Plan, as the case may be;

(e) the Subproject shall be economically, financially, environmentally, institutionally and technically sound in accordance with the standards specified in the Project Implementation Manual, the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan;

(f) an analysis of the social and environmental impacts of the Subproject shall have been undertaken in compliance with the provisions of the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan, and, if applicable, an environmental impact assessment shall have been carried out, a Mini-Waste Management Plan, a Mini Pest Management Plan and a Resettlement Action Plan shall have been prepared and any other environmental and social requirements, including mitigation, compensation, rehabilitation and resettlement measures, provided under the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan, shall have been complied with, all in a manner satisfactory to the Association;

(g) adequate arrangements shall be in place for the financing of maintenance and other incremental recurrent costs related to the Subproject;

(h) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, education, safety and environmental protection;

(i) depending on the nature of the Subproject, the Beneficiary shall provide from 0 to 15 % of the estimated costs of the Subproject in the form of cash, materials, labor or other services, as specified in the Project Implementation Manual;

(j) no Subproject Grant shall be in excess of 15 millions (15,000,000) CFAF for a Community Based Organization Subproject and 75 millions (75,000,000) CFAF for a Commune Subproject; and

(k) the Beneficiary shall have established a Subproject Management Committee, or entered into a maintenance agreement.

2. Applications for Community Based Organizations Subproject Grants to finance Subprojects shall:

(a) be submitted by the Community Based Organizations to the relevant Communal Decision Committees, for its approval; and

(b) after approval by the Communal Decision Committee, be referred by said Communal Decision Committee for financing to the relevant PPU.

3. Without limitation to other provisions of the Schedule, for Community Based Organizations infrastructure Subprojects, the Commune on the territory of which the infrastructure is located shall own the infrastructure. The Commune and the relevant Community-Based-Organization shall manage the Subproject under conditions set up in an agreement to be entered between them, as defined in the Project Implementation Manual and in the Project Administrative, Financial and Accounting Manual.

4. Applications for Communes Subproject Grants to finance Subprojects shall:

(a) be submitted by the Commune to the relevant Provincial Decision Committees for its approval; and

(b) after approval by the Provincial Decision Committee, be referred by said Provincial Decision Committee for financing to the relevant PPU.

5. The composition of each Subproject Management Committee shall be as indicated in the Project Implementation Manual. The Technical Support Agencies shall meet the criteria specified in the Project Implementation Manual.

6. Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between the Borrower and the Beneficiaries, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) financing to be on a grant basis;

(b) the obligation to carry out the Subproject in accordance with the Project Implementation Manual, the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan, with due diligence and efficiency and in accordance with sound environmental, social, institutional, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(c) where applicable, the obligation to carry out, in a manner satisfactory to the Borrower and the Association, any environmental and social mitigation measures, compensation and rehabilitation of Displaced Persons for land acquisition or resettlement in accordance with the provisions of the Environmental and Social Management Framework, the Policy Framework for Resettlement and the Indigenous People Development Plan;

(d) the requirement that: (i) the goods, works, and services to be financed from the proceeds of the Subproject Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(e) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the Subproject, the operations thereof and any relevant records and documents;

(f) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(g) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Grant for the Subproject upon failure by the Beneficiary to perform any of its obligations under its Financing Agreement.

C. Reports and Mid-Term Review

1. The Borrower shall:

(a) implement policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Project Monitoring and Evaluation Manual and performance indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under the conditions provided for in the Project Monitoring and Evaluation Manual, and furnish to the Association, not later than January 31, April 30, July 31 and October 31 of each year, or at any later date agreed upon by the Parties, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph C.1 (a) above and including Beneficiary feedback reports and Subproject completion reports, on the progress achieved in the carrying out of the Project during the calendar quarter preceding the date of said report and setting out the measures

recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the calendar quarter following such date;

(c) review with the Association, not later than two weeks after the submission of the report referred to in paragraph C.1 (b) above, or at any later date agreed upon by the Parties, the report referred to in paragraph C.1 (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter; and

(d) comply with auditing and reporting obligations provided for under the Environmental and Social Management Framework and the Indigenous People Development Plan, as the same is reflected in the Project Monitoring and Evaluation Manual.

2. Midterm Review

(a) On or about twenty four months after the Effective Date, the Borrower shall carry out jointly with the Association, SC, NCU, the PPUs , a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objective; and
- (ii) overall Project performance against Project performance indicators.

(b) The Borrower shall cause NCU to prepare and, at least four weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Midterm Review, prepare and submit to the Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program. The Association shall provide its comments on said report within 15 days from its presentation to the Borrower.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means in respect of Special Account A, Category (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement and in respect of Special Account B, Categories (1) (2), (3) (4) and (6) set forth in said table;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works 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 an amount of CFAF 600,000,000 in respect of Special Account A and an amount of CFAF 480,000,000 in respect of Special Account B to be withdrawn from the Credit Account and deposited into the Special Accounts 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 of CFAF 240,000,000 in respect of Special Account B until the aggregate amount of withdrawals from the Credit allocated to Categories (1) (2), (3), (4), (5) and (6) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, B, C and D of the Project shall be equal to or exceed the equivalent of SDR 2,700,000.

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

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

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

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

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

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

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

- (b) if the Borrower 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 for the respective Special Account, 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 respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

(b) If the Association shall have determined at any time that any amount outstanding in 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.

(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 paragraphs 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.

7. (a) The Borrower shall withdraw from Special Account A and deposit into each Second Generation Special Account funds to assist each PPU to pay for Subproject Grants under Part A of the Project. Such withdrawals and deposits shall be in amounts sufficient to assist each PPU in the manner contemplated in Schedule 1 to this Agreement, to pay for such Subproject Grants in due course, provided that, at no time,

shall the Borrower cause the amount held in any Second Generation Special Account to exceed CFAF100,000,000.

(b) Any withdrawal from any Second Generation Special Account must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures required pursuant to paragraph 3 of this Schedule.

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