

CONFORMED COPY

CREDIT NUMBER 2254 CA

(Enterprise Rehabilitation and Development Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 12, 1991

CREDIT NUMBER 2254 CA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 12, 1991, between CENTRAL AFRICAN REPUBLIC (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) by Subsidiary Loan Agreements to be entered into between BEAC, on behalf of the Borrower, and Participating Financial Institutions (PFIs), certain proceeds of the Credit will be onlent to said PFIs, on the terms and conditions set forth in said Subsidiary Loan Agreements; and

(C) by Investment Agreements to be entered into between PFIs and Investment Enterprises, certain proceeds of the Credit will be onlent to said Investment Enterprises to finance Investment Projects, on the terms and conditions set forth in said Investment Agreements;

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, with the modifications set forth in Schedule 3 to this Agreement (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) "BEAC" means the Banque des Etats de l'Afrique Centrale;
- (b) "CFAF" means the currency of the Borrower;
- (c) "Credit Guidelines" means the detailed circular issued by the Borrower through BEAC and satisfactory to the Association, outlining the terms and conditions and the appraisal format for the use of the proceeds of the Credit by PFIs in the Borrower's territory;
- (d) "Investment Agreement" means an agreement between a PFI and an Investment Enterprise to make a Sub-loan;
- (e) "PFI" means Participating Financial Institution, i.e., a financial institution, established and operating in conformity with the banking laws of the Borrower, which will enter or has entered into a Subsidiary Loan Agreement with the Borrower, through BEAC;
- (f) "Sub-loan" means a loan or credit made, or proposed to be made, by a PFI to an Investment Enterprise, pursuant to an Investment Agreement, for an Investment Project out of the equivalent of the proceeds of the Credit relent to a PFI under a Subsidiary Loan Agreement;
- (g) "Investment Enterprise" means an enterprise to which a PFI proposes to make or has made a Sub-loan;
- (h) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;
- (i) "Protocol" means the agreement between the Borrower and BEAC, referred to in Section 3.02 of this Agreement;
- (j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, through BEAC, and a PFI pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (l) "CAPMEA" means Centre d'Assistance aux Petites et Moyennes Entreprises et l'Artisanat, an agency established by the Borrower to promote private sector initiative and SMEs in the Central African Republic;
- (m) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated June

6, 1989 and July 6, 1989; July 16, 1990 and July 26, 1990; and dated March 25, 1991, and March 28, 1991, between the Borrower and the Association;

(n) "PCC" means the Project Coordinating Committee referred to in Section 3.06 (a) of this Agreement;

(o) "Project Unit" means the Unit to be established by BEAC pursuant to the provisions of Section 3.02 of this Agreement;

(p) "MFCIPME" means the Ministcre des Finances, du Commerce, de l'Industrie et des Petites et Moyennes Entreprises of the Borrower; and

(q) "SME" means small- and medium-scale enterprises, whose total fixed assets, excluding the value of land and the amount of the Investment Project to be undertaken by it, shall not exceed one hundred twenty-five million CFAF and in which the total capital share held by the Borrower and any public entity or entities of the Borrower shall not be higher than 49 percent.

## 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 nine million four hundred thousand Special Drawing Rights (SDR 9,400,000).

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: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by a PFI on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part A.2 and Part B of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFAF a special account with BEAC on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account 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 the Association 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge 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 payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1, commencing October 1, 2001, and ending April 1, 2031. Each installment to and including the installment payable on April 1, 2011, 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 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. 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 the Project under the overall coordination of PCC, with due diligence and efficiency and in conformity with appropriate financial, banking, business and trade practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. In order to carry out Part A.1 of the Project, the Borrower shall enter into a Protocol with BEAC, acceptable to the Association, pursuant to which BEAC shall undertake to fully assist the Borrower in the carrying out of Part A.1 of the Project in accordance with the provisions of said Protocol. To this end, BEAC shall establish and maintain a

Project Unit with terms of reference acceptable to the Borrower and the Association. The Protocol shall further provide that BEAC shall on behalf of the Borrower:

(a) enter into Subsidiary Loan Agreements with PFIs, acceptable to the Association and whose financial statements for the previous fiscal year were audited and certified by independent auditors acceptable to the Association, for the purpose of onlending the proceeds of the Credit withdrawn under Category (1)(a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement. The terms and conditions of said Subsidiary Loan Agreements shall be acceptable to the Association and shall include a reference interest rate of 7% per annum or any other rate determined in agreement with the Association, and a flexible amortization schedule reflecting the aggregate maturity of Sub-loans extended by said PFIs out of the proceeds of the Credit;

(b) cause PFIs to enter into Investment Agreements with Investment Enterprises, acceptable to the Borrower and the Association, in accordance with the criteria and the terms and conditions set forth in Schedule 6 to this Agreement; and

(c) ensure that a Sub-loan will be made on terms whereby the Borrower shall obtain, through an Investment Agreement or by other appropriate legal means, rights adequate to protect the interests of the Borrower and the Association, including the rights set forth in Schedule 6 to this Agreement.

Section 3.03. The Borrower shall: (a) duly perform all its obligations under the Protocol and Subsidiary Loan Agreements. Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Protocol or Subsidiary Loan Agreements or any provision thereof; and

(b) exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Borrower and the Association; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.04. The Borrower shall, during the last quarter of each calendar year, review with the Association: (a) the financial terms (i.e., the interest rate structure and amortization period) applicable to Sub-loans and to loans extended to microenterprises and shall promptly adjust said financial terms as required by the prevailing market conditions and as agreed upon with the Association; and (b) the annual operations program designed to carry out Part B.4 of the Project.

Section 3.05. (a) When presenting a Sub-loan to the Association for approval, the Borrower shall furnish to the Association an application, in a form satisfactory to the Association, together with: (i) a description of the Investment Enterprise and an evaluation of the Investment Project, including a description of the expenditures proposed to be financed out of the Sub-loan, taking into account the criteria set forth in Part A of Schedule 6 to this Agreement; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan and the terms and conditions set forth in Part B of Schedule 6 to this Agreement; and (iii) such other information as the Association shall reasonably request.

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

Section 3.06. (a) In order to coordinate the carrying out of the Project, the Borrower shall establish a Project Coordinating Committee within the Ministry of Planning and, thereafter, maintain it with membership and responsibilities satisfactory to the Association.

(b) Except as the Association shall otherwise agree, procurement of the goods and consultant services, required for Parts A.2 and B of the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of

Schedule 4 to this Agreement.

Section 3.07. The Borrower shall: (a) cause CAPMEA to prepare each year a draft work program and related budget and submit them by October 30 of each year to the Borrower for its approval; and (b) pay to CAPMEA on the first day of each calendar quarter commencing on January 1, 1992, an amount equivalent to one quarter of the Borrower's contribution to the annual budget of CAPMEA referred to in paragraph (a) above.

Section 3.08. The Borrower shall develop and carry out the microenterprise credit scheme referred to in Part B.4 of the Project in accordance with procedures, terms and conditions satisfactory to the Association. Said terms and conditions shall include inter alia: (a) a loan amount to any individual microentrepreneur not to exceed CFAF 2,500,000; (b) financial charges (including an administration fee, a risk premium and interest charges) at a rate of at least two percent per month; (c) a repayment period of no more than 24 months, and acceptable collateral to ensure the repayment of loan principal and interest; and (d) a contribution by the microentrepreneur of at least 25 percent of the total costs of the proposed activity to be financed.

Section 3.09. The Borrower shall: (a) carry out the study referred to in Part B.5 (i) of the Project by December 31, 1992; and all other studies referred to in Part B.5 (ii) and (iii) in accordance with a timetable agreed upon with the Association; (b) submit the results of said studies as soon as they are available to the Association for its review and comments; and (c) promptly implement the recommendations of said studies as agreed upon with the Association.

Section 3.10. The Borrower shall: (a) by November 30 of each year submit to the Association for its review and comments an annual assessment of the impact of the Borrower's policies on the development of small businesses and on the overall investment climate (including an evaluation of the effects of specific laws such as the investment code and the legislation pertaining to the promotion of national small businesses); and (b) take all necessary measures advisable on the basis of such assessment and the Association's review and agreed upon with the Association to improve existing policies and/or the small businesses regulatory framework.

Section 3.11. The Borrower shall cause the consultant selected to assist the Borrower in the execution of Part B.4 of the Project to:

(a) keep separate accounts and records adequate to reflect in accordance with sound accounting practices, the use of the proceeds of the Credit allocated to Category (1) (b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(b) have the accounts referred to under paragraph (a) above for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(c) furnish to the Borrower and the Association not later than three months after the end of each fiscal 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

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

Section 3.12. The Borrower shall, no later than March 31, 1994, carry out jointly with the Association, a mid-term review of the progress made in carrying out the Project.

#### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts, adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project and of each Investment Project (including its cost and the benefits to be derived from it).

(b) The Borrower shall:

(i) have the accounts and financial statements referred to in paragraph (a) of this Section, including 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 four 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 accounts and the audit thereof and said records as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with 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 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) BEAC shall have failed to perform any of its obligations under the Protocol;

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

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BEAC or CAPMEA or for the suspension of their operations; and

(d) the Credit Guidelines shall have been amended without prior approval by the Association.

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 event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the PCC has been established.

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 responsible for Planning 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, Planning,  
Statistics and International Cooperation  
P.O. Box 696  
Bangui  
Central African Republic

Cable address:

MINPLAN  
Central African Republic

Telex:

5208 RC

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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.

CENTRAL AFRICAN REPUBLIC

By /s/ J.-P. Sohahong Kombet

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods and Services for Investment Projects:		
(a) for Sub-loans under Part A.1 of the Project	4,150,000	100% of amounts disbursed by PFIs
(b) for micro- enterprises under Part B.4 of the Project	330,000	100%
(2) Management services for Part B.4 of the Project	1,210,000	100%
(3) Consultants' services	830,000	100%
(4) Equipment and vehicles	500,000	100%
(5) Incremental operating costs	420,000	100%
(6) Training	420,000	100%
(7) Project Preparation Advances	910,000	Amount due pursuant to Section 2.02 (c) of this Agreement

(8) Unallocated	630,000
	<hr/>
TOTAL	9,400,000
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2. For the purposes of this Schedule, the term "Incremental operating costs" means incremental expenses incurred for supplies, spare parts, fuel, maintenance and repair of vehicles and equipment, and travel for the Project Unit, MFCIPME's Direction du Developpement Industriel et Artisanal and CAPMEA.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

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

(b) in respect of a Sub-loan under Category (1) (a) unless:

(i) the Credit Guidelines have been issued; the Protocol referred to in Section 3.02 of this Agreement has been signed and an investment banking specialist has been recruited and has taken up his position; and the Project Unit has been established with staff whose qualifications and professional experience are satisfactory to the Association;

(ii) the Association has approved the Subsidiary Loan Agreement between BEAC and the PFI concerned;

(iii) said Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 6 to this Agreement and has been approved by the Project Unit;

(iv) the Association has approved the first three Investment Agreements made by the PFI concerned; and

(v) for any Sub-loan in an amount exceeding CFAF 70,000,000, the Association has approved the Investment Agreement pursuant to which said Sub-loan is made; and

(c) in respect of Categories (3), (5) and (6) unless a small enterprise promotion specialist has been recruited and has taken up his position and a counterpart with qualifications and professional experience satisfactory to the Association has been designated.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower's efforts to: (i) promote economic growth and reduce unemployment by providing financial means to expand private enterprises through restructuring or rehabilitation of such existing enterprises and creation of new ones; and (ii) facilitate access to credit for viable microenterprises.

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: Assistance to Enterprises

1. Financing of Investment Projects to be carried out by Investment Enterprises through the intermediation of PFIs.

2. (i) Establishment within BEAC of a Project Unit responsible for the execution of Part A.1 of the Project and equipping of said Project Unit; and (ii) training of

BEAC's and the PFIs' staff responsible for carrying out Part A.1 of the Project, in fields related to the management of an Apex line of credit and monitoring of the execution of Investment Projects.

Part B: Institutional Building

1. Strengthening the capability of CAPMEA to provide adequate assistance and guidance to potential investors in the preparation of Investment Projects.
2. Strengthening the capability of MFCIPME's Direction du Developpement Industriel et Artisanal responsible for managing matters related to the promotion of small- and medium-scale enterprises.
3. Formulation and execution of a training program in subject matters related to the promotion of small- and medium-scale enterprises, benefitting in particular: (i) the staff of CAPMEA and MFCIPME responsible to carry out Part B of the Project; and (ii) beneficiaries of Sub-loans and microentrepreneurs.
4. Development and execution of an employment generating credit scheme for viable microenterprises.
5. A program of studies including: (i) a legal study to assess existing institutional constraints to an efficient recovery of credit extended by financial institutions and recommend appropriate means to remove said constraints; (ii) a study to restructure CAPMEA and improve its efficiency; (iii) a feasibility study to establish a credit guarantee fund; and (iv) the audits required by the Project and other selected studies.

\* \* \*

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) The last sentence of Section 3.02 is deleted.
- (2) The words "or for Investment Projects" are added after the words "the Project" at the end of Section 5.03.
- (3) Section 6.03 is deleted and replaced by the following new Section:

"Section 6.03. Cancellation by the Association. If: (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days; or (b) by the date specified in Section 3.05 (b) of the Development Credit Agreement, no applications or requests permitted under paragraph (a) of such Section shall have been received by the Association, in respect of any portion of the Credit, or having been so received, shall have been denied; or (c) at any time, the Association determines that the procurement of any item is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such item which would otherwise have been eligible for financing out of the proceeds of the Credit; or (d) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right to request such approvals or requests or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice such amount or portion of the Credit shall be cancelled."

SCHEDULE 4

## Procurement and Consultants' Services

### Section I. Procurement of Goods and Works

#### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by The World Bank in May 1985 (the Guidelines).

#### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Central African Republic may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

#### Part C: Other Procurement Procedures

1. Items or groups of items estimated to cost the equivalent of \$30,000 or less, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. To the extent practicable, contracts for vehicles and equipment shall be grouped into bid packages estimated to cost the equivalent of \$30,000 or more.
3. Items or groups of items estimated to cost the equivalent of \$30,000 or less may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three reputable suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

#### Part D: Review by the Association of Procurement Decisions

##### 1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$750,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

(d) With respect to each contract referred to in Part A above, the Borrower shall ensure that any preshipment inspection required prior to the import of goods procured under said contract shall be applied only in respect of the quality and quantity stated in said contract.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

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

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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 an amount equivalent to CFAF 130,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

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

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

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

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

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in

accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 6

##### Part A: Eligibility Criteria for Investment Enterprises and Investment Projects

An existing or a new Investment Enterprise which qualifies as an SME will be eligible for a Sub-loan, provided:

1. it is operating in any economic sector other than real estate development and undertakes to use the proceeds of the Sub-loan to finance: (a) the acquisition of fixed assets and associated working capital, excluding the acquisition of land; and (b) free-standing working capital, if it is operating in a productive sector; the Borrower shall ensure that the aggregate of Sub-loans made for freestanding working capital shall not exceed an aggregate total of CFAF 300,000,000;

2. it demonstrates that the proposed Investment Project is both technically and financially sound and, when implemented, is likely to lead to efficient and profitable operations including a financial rate of return of at least 12% on the projected investment. For Investment Projects in an amount exceeding CFAF 130,000,000 equivalent, an economic rate of return of at least 12% shall be required.

3. it meets the following creditworthiness criteria:

(a) except as otherwise agreed with the Association, a debt-equity ratio of not more than 4:1, taking into account such proposed Sub-loan; and

(b) a debt-servicing capacity (cash flow to debt service) of not less than 1.3 over the life of the Sub-loan;

4. the Sub-loan does not exceed CFAF 200,000,000; and

5. if requested by the PFI, it provides an environmental assessment report showing the impact of the Investment Project on the environment and, if necessary, adequate measures to be implemented to mitigate any potential negative impact that may result from the execution of the Investment Project.

Part B: Terms and Conditions to be Included in an Investment Agreement Between a PFI and an Investment Enterprise

1. A fixed interest rate of 16% per annum or such other rate determined in agreement with the Association.

2. A maturity of not more than 12 years, including a grace period of not more than three years.

3. The Sub-loan shall not exceed 85% of the total cost of the Investment Project.

4. The Investment Enterprise shall carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and shall maintain adequate records and accounts.

5. (i) Goods and services to be financed out of the proceeds of the Sub-loan shall be purchased at a reasonable price, after price quotations from at least three reliable suppliers have been furnished, account being taken also of other relevant factors such as time of delivery, efficiency and reliability of the goods, and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project.

6. The Association's right to inspect, by itself or jointly with representatives of the PFI in question or of the Borrower, if the Association shall so request, such goods, sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents.

7. (i) The Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan to the place of use or installation; any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods.

8. Release of all such information as the Borrower, the Association, or the PFI shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project.

9. The right of the PFI to suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Sub-loan upon failure by such Investment Enterprise to perform its obligations under the Investment Agreement.

