

CONFORMED COPY

CREDIT NUMBER 2723 SE

Development Credit Agreement

(Community Nutrition Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 26, 1995

CREDIT NUMBER 2723 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 26, 1995, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to obtain from the United Nations' World Food Program (WFP) a grant (the WFP Grant) in an amount equivalent to five million two hundred thousand dollars (\$ 5,200,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the WFP Grant Agreement) to be entered into between the Borrower and WFP;

(C) the Project will be carried out by the Agence d'Execution des Travaux d'Interet Public contre le Sous-Emploi (AGETIP) with the Borrower's assistance; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and AGETIP;

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 thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

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

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

(a) "AGETIP" means Agence d'Execution des Travaux d'Interet Public contre le Sous-Emploi, a public works executing entity established in accordance with the Law No. 66-70 of the Borrower, dated July 13, 1966;

(b) "AGETIP Account" means the account referred to in paragraph 2 (a) of Schedule 3 to the Agreement;

(c) "Beneficiary" means the recipients of services provided by a CNC (as hereinafter defined) under the Project;

(d) "CFA Franc" means the currency of the Borrower;

(e) "CNC" means Community Nutrition Center;

(f) "Convention" means the agreement entered into between the Borrower and AGETIP, dated January 7, 1993, as the same may be amended from time to time, and such term includes the Procedures Manual and all other annexes, schedules and attachments thereto;

(g) "Contrat de Maitrise" means the contract referred to in paragraph 2 (a) of Schedule 3 to this Agreement;

(h) "GIE" means Groupements d'interets economiques, small economic interest groups within the territory of the Borrower organized in accordance with the Law No. 84/37 of the Borrower;

(i) "Implementing Enterprise" means an entity to which a sub-contract has been awarded for the management of one or several CNCs;

(j) "IEC" means Information, Education and Communication;

(k) "MOH" means the Borrower's Ministry of Health and Social Actions;

(l) "NMD" means Nutrition Management Division of AGETIP;

(m) "National Commission" means the Borrower's Commission

Nationale de Lutte Contre la Malnutrition, established in accordance with the Presidential Decree No. 94/556;

(n) "National Nutrition Action Plan" means the national nutrition action plan of the Borrower;

(o) "Nutrition Program" means the program of activities carried out by the Borrower, in the area of nutrition;

(p) "Procedures Manual" means the Procedures Manual, to be used by AGETIP to govern its operations and annexed to the Convention, as the same may be amended from time to time, and such term includes any schedules to the Procedures Manual;

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated October 6, 1994 and November 30, 1994, between the Borrower and the Association;

(r) "Project Agreement" means the agreement between the Association and AGETIP, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(s) "First Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter and "Project Year" means any twelve-month period beginning at the end of the First Project Year or the end of subsequent Project Years;

(t) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(u) "Sub-Project" means all activities related to the management of one or several CNCs carried out under the Project;

(v) "Sub-Project Agreement" means an agreement to be entered into between AGETIP and an Implementing Enterprise for the execution of a Sub-Project; and

(w) "SONES" means the Borrower's National Water Company.

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 eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFA Francs a special deposit account in a commercial bank on terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the

principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 2000, 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 or 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 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15, commencing October 15, 2005 and ending April 15, 2035. Each installment to and including the installment payable on April 15, 2015 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, and without any limitation or restriction upon any of its obligations under this Agreement, shall:

- (i) cause AGETIP to perform all its obligations set forth in the Project Agreement;
- (ii) cause AGETIP to carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and in accordance with the provisions of the Convention;
- (iii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGETIP to carry out the Project; and
- (iv) not take or permit to be taken any action which would prevent or interfere with the performance by AGETIP.

(b) The Borrower shall make the proceeds of the Credit available to AGETIP in accordance with the provisions of the Convention.

(c) The Borrower shall exercise its rights under the Convention in such manner as to cause AGETIP to execute the Project, to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Convention or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except 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 3 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 1 to the Project Agreement.

Section 3.03. (a) The Borrower shall, in conjunction with AGETIP and the Association, undertake a joint review of the Project during the third calendar quarter of each year during which they shall exchange views on matters relating to:

(i) the progress of the Project; (ii) AGETIP's management and its administrative cost structure; (iii) the performance by AGETIP and the Borrower of their respective obligations under the Convention (including compliance with procurement procedures and audit); and (iv) other matters relating to the purposes of the Credit.

(b) Not later than one month prior to each such review, the Borrower shall, jointly with AGETIP, furnish to the Association, for its review and comments, and in such detail as the Association shall reasonably request, a report on the progress and status of the Project and a plan of operation for the forthcoming year.

(c) Following each such review, the Borrower shall promptly take, or cause to be taken, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by AGETIP pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

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

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

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

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in

paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case, not later than three months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that AGETIP will be able to perform its obligations under the Convention or the Project Agreement;
- (b) Law No. 66-70 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AGETIP to perform any of its obligations under the Convention or the Project Agreement;
- (c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AGETIP, or for the suspension of its operations;
- (d) AGETIP shall have failed to perform any of its obligations under the Project Agreement; and
- (e) (i) subject to sub-paragraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof; and(ii) sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (b) or (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) AGETIP has adopted and implemented an accounting and financial management system, acceptable to the Association;

(b) AGETIP has entered into an agreement with SONES, for the purposes of implementation of Part B of the Project, under terms and conditions acceptable to the Association;

(c) AGETIP has, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement, employed independent auditors, to audit its records, accounts and financial statements;

(d) the Borrower has deposited into the AGETIP Account an aggregate initial amount of not less than \$400 000 equivalent in CFA Francs, as its contribution for the Project for the first Project Year;

(e) the Borrower has submitted evidence that WFP has confirmed, under the terms and conditions acceptable to the Association and reflected in the WFP Grant Agreement, the availability of funds to purchase the local ingredients for the purposes of the supplementary feeding program referred to in Part A.2 of the Project; and

(f) AGETIP has, in accordance with the provisions of Section II of Schedule 1 of the Project Agreement, appointed the key staff of NMD referred to in Section 2.11 of the Project Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association that the Project Agreement has been duly authorized or ratified by AGETIP and is legally binding upon AGETIP in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance 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:

| | | |
|--|------------|---|
| the Project | | |
| (b) Other | 800,000 | |
| (2) Consultants' Services (including training and studies) | | 100% |
| (a) For Part C of the Project | 650,000 | |
| (b) Other | 8,000,000 | |
| (3) Refunding of Project Preparation Advance | 350,000 | Amount due pursuant to Section 2.02(c) of this Agreement |
| (4) Unallocated | 1,750,000 | |
| | <hr/> | |
| TOTAL | 11,700,000 | |

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

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

(b) payments made for expenditures against categories 1 (a), and 2 (a) unless the Borrower has completed a study on rural household food security, and finalized an action plan for the third and fourth Project Years, satisfactory to the Association, to implement the findings of the said study.

3. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions in Sections 3.09 and 1091 respectively of the Law No. 92-40 of the Borrower, dated July 9, 1992, (the Code General des Impots), which exempts goods to be financed under the Project from the proceeds of the Credit from taxes and customs duties levied by the Borrower. If any change is made to said law which has the effect of levying taxes or customs duties on such goods, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) assist the Borrower in arresting the deterioration in the nutritional status of the most vulnerable groups in targeted poor urban areas; (b) provide potable water to unserved areas targeted under the nutrition program of the Borrower; and (c) enhance household food security among the poor urban population and vulnerable households in targeted rural areas during critical periods.

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: Nutrition

1. Carrying out an IEC intervention program aimed at changing nutritional behavioral patterns.
2. Carrying out a program for supplementary feeding for pregnant and nursing women as well as children below the age of three and carrying out a program for child growth monitoring.
3. Carrying out a basic preventive health-care program, through referral services to health posts and centers.
4. Carrying out a training program for the benefit of non-governmental organizations and individuals associated with supervision and implementation of the Nutrition Program.

Part B: Water

1. Carrying out a program to improve the drinking water supplies system, including extension of the water supply network to peri-urban areas of communities targeted for the Nutrition Program.
2. Carrying out a program of community-sensitization and sanitary education for, inter alia, micro-enterprises.

Part C: Food Security

Carrying out a pilot household food security program for rural food insecure areas, including trial testing and field monitoring.

Part D: Social Mobilization and IEC

Carrying out a social mobilization and IEC campaign to ensure beneficiary participation and ownership, including the establishment of local steering committees composed of local GIEs, associations and local authorities, and dissemination of information through all possible media to bring about behavioural change of nutrition, health and sanitation of the target-population.

Part E: Capacity Building

1. Organization of on-the-job training services related to work organization, management, technical and nutritional training to small and micro-entrepreneurs.
2. Organization of a training program for supervisory services.
3. Organization of training on planning and implementation of IEC, including development and use of materials and inter-personal communication techniques.

Part F: Monitoring and Evaluation

1. Establishment of a monitoring and evaluation system.
2. Carrying out of monitoring and evaluation of the Project as well as operations research and technical and sectoral studies to sharpen the impact of the Project in the targeted areas.
3. Carrying out of systematic client consultation to generate feed-back on the implementation of the Project, including feed-back from the Beneficiaries.
4. Updating of the National Nutrition Action Plan and strengthening of the nutrition monitoring capability of MOH.

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Implementation Program

1. (a) The Borrower shall, no later than June 30, 1997, carry out in conjunction with AGETIP and the Association, based on performance indicators acceptable to the Association, a comprehensive mid-term review of the progress of the Project. Without limitation upon the generality of the foregoing, the review shall, inter alia, focus on: (i) the feasibility of separating the NMD from AGETIP to make it a separate agency; (ii) the necessity for AGETIP of a financial specialist; (iii) the program on the rural household food security including the action plan related to the implementation of said program; (iv) progress made towards the achievement of the objectives of the Project, and the additional measures to accomplish the objectives; (v) the progress achieved by the Borrower and AGETIP, respectively, during the current fiscal year, having regard to the performance indicators agreed upon between the Borrower and the Association; (vi) the status of financial and procurement performance under the Project; (vii) the proposed budget and work program for the forthcoming fiscal year; (viii) the adequacy of arrangements for the selection, financing and implementation of Sub-Projects, and the merits of cost recovery; and (ix) in order to consolidate the achievements of the Project, details of a proposed plan to ensure the best use of the resources.

(b) No later than one month prior to the mid-term review referred to in paragraph (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in the implementation of the Project.

(c) The Borrower shall, promptly and diligently, after completing such mid-term review, implement, or cause AGETIP to implement, the recommendations arising out of said mid-term review, as agreed between the Borrower, the Association and AGETIP.

2. (a) The Borrower shall open, in the name of AGETIP, an account in local currency to be operated and maintained by AGETIP (the AGETIP Account), in a commercial bank on terms and conditions acceptable to the Association, and, in accordance with the schedule described in (b) of this paragraph, shall deposit therein its annual contribution of at least \$400,000 equivalent or all such amounts as may be payable to AGETIP, under any Contrat de Maitrise, or on account of a Sub-Project.

(b) The Borrower shall deposit its contribution to the costs of the Project into the AGETIP Account in accordance with the following schedule: (i) not later than July 1, 1996, for the second Project Year; (ii) not later than July 1, 1997, for the third Project Year; and (iii) not later than July 1, 1998, for the fourth Project Year.

3. (a) For the purpose of coordination of the Project at the national level, the Borrower shall establish a National Steering Committee which shall consist, inter alia, of representatives from the institutions associated with the financing of the Project.

(b) For the purpose of coordination of the Project at the local level, and to ensure systematic client consultation, the Borrower shall establish a District Steering Committee (DSC) in each one of the districts selected for the purpose of the Project. The DSC shall consist of a representative of the Prefecture, the chief medical officer, the mayor of the

district concerned, the neighborhood leaders, and the technical agents involved in the implementation of the Project.

4. The Borrower shall, no later than March 31 of 1996, 1997 and 1998 respectively, in consultation with AGETIP, submit to the Association, for its review and comment, a list of targeted areas for intervention under Parts A and B of the Project, for the second, third and fourth year of the Project respectively. The said list shall have been reviewed by the National Commission.

5. The Borrower shall, not later than July 31, 1996, submit to the Association, for review and comment, the terms of reference of a study for updating the National Nutrition Action Plan.

6. Unless the Association shall otherwise agree, the Sub-Projects shall be approved on the basis of the eligibility criteria, procedures and terms and conditions specified in the Procedures Manual.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 CFA Francs 600,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFA Francs 300,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

2. 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 shall be made as follows:

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the 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 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 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 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 the 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special 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 an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special 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.

