

CONFORMED COPY

CREDIT NUMBER 2813 CM

Development Credit Agreement

(Second Structural Adjustment Credit)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 14, 1996

CREDIT NUMBER 2813 CM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 14, 1996, between REPUBLIC OF CAMEROON (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS: (A) the Association has received a letter, dated February 6, 1996, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the "Program"), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) 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, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.";

(c) the last sentence of Section 3.02 is deleted; and

(d) the second sentence of Section 5.01 shall be modified to read:

"Except as the Borrower and the Association 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 Association or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "BEAC" means Banque des Etats de l'Afrique Centrale, the Borrower's central bank;

(b) "BICIC" means Banque Internationale pour le Commerce et l'Industrie du Cameroun;

(c) "BMBC" means Banque Meridien-BIAO du Cameroun;

(d) "CAA" means the Borrower's Caisse Autonome d'Amortissement;

(e) "CAC" means Cr^dit Agricole du Cameroun;

(f) "CFA Franc" or "CFAF" means Franc de la Communauté Financière en Afrique Centrale, the currency of the Borrower;

(g) "Environmentally Hazardous Goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(h) "MINAGRI" means the Borrower's Ministry of Agriculture;

(i) "MINEDUC" means the Borrower's Ministry of National Education;

(j) "MINEF" means the Borrower's Ministry of Environment and Forestry;

(k) "MINEFI" means the Borrower's Ministry of Economy and Finance;

(l) "MINEPIA" means the Borrower's Ministry of Livestock, Fisheries and Animal Husbandry;

(m) "MINJUSTICE" means the Borrower's Ministry of Justice;

- (n) "MINMEE" means the Borrower's Ministry of Mines, Water and Energy;
- (o) "MINREST" means the Borrower's Ministry of Scientific and Technical Research;
- (p) "MINSANTE" means the Borrower's Ministry of Health;
- (q) "MINT" means the Borrower's Ministry of Transportation;
- (r) "MINTP" means the Borrower's Ministry of Public Works;
- (s) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter dated September 21, 1994 between the Borrower and the Association;
- (t) "SCBC" means Standard Chartered Bank Cameroon;
- (u) "SGBC" means Societe Generale de Banques au Cameroun;
- (v) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986); and
- (w) "SRC" means Societe de Recouvrement des Creances du Cameroun.

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 one hundred million seven hundred thousand Special Drawing Rights (SDR100,700,000).

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.

(b) 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 March 31, 1997 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 and service charges shall be payable semiannually on May 15 and November 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 May 15 and November 15 commencing May 15, 2006, and ending November 15, 2035. Each installment to and including the installment payable on November 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.

Section 2.09. (a) CAA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Director General of CAA with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than SDR350,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially

reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents, or customs certificates, as appropriate) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audits 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 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.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Minister at the time responsible for economy and finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Yaounde
Republic of Cameroon

Cable address:

MINEFI
Yaounde

Telex:

8260 KN

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:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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/ Jereme Mendouga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525 materials	--	Radioactive and associated
667	--	Pearls, precious and semiprecious stones, unworked or worked
718 thereof,	718.7	Nuclear reactors, and parts fuel elements (cartridges), non irradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897 platinum set	897.3	Jewelry of gold, silver or group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including gems)
971	--	Gold, nonmonetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR20,100,000 may be made on account of payments made for such expenditures before that date but after the date six months before the date of this Agreement;

(d) expenditures for goods procured under contracts costing less than \$20,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(g) expenditures in excess of an aggregate amount equivalent to SDR13,500,000 for petroleum products and SDR30,200,000 for foodstuffs; and

(h) expenditures for Environmentally Hazardous Goods.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$2,000,000 may be required by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR33,600,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(a) with the progress achieved by the Borrower in the carrying out of the Program;

(b) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and

(c) that either the Public Finance Management Tranche Conditions or the Financial Sector Reform Tranche Conditions have been fulfilled. For the purpose of this paragraph and of paragraph 5 of this Schedule, the term "Public Finance Management Tranche Conditions" means, collectively, all the actions specified in Part A of Schedule 3 to this Agreement and the term "Financial Sector Reform Tranche Conditions" means, collectively, all the actions specified in Part B of Schedule 3 to this Agreement.

5. No further such withdrawal or commitment shall be made after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR67,200,000, unless the Association shall be satisfied, after a further such exchange of views:

(a) with the further progress achieved by the Borrower in the carrying out of the Program;

(b) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and

(c) that the Tranche Conditions remaining after the fulfillment of the requirements under paragraph 4 (c) of this Schedule, as the case may be, have been fulfilled. For the purpose of this paragraph, the term "Tranche Conditions" means either the Public Finance Management Tranche Conditions or the Financial Sector Reform Tranche Conditions, as the case may be.

6. If, after either exchange of views described in paragraphs 4 and 5 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

Part A: General

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

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines, subject to the provisions of paragraphs 2.63, 2.64 and 2.65 thereof.

Part C: Other Procurement Procedures

Goods estimated to cost less than \$2,000,000 equivalent per contract may be procured:

1. by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, under contracts awarded in accordance with such procedures, provided that such procedures shall have been found acceptable by the Association; and

2. by other purchasers:

(a) under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; or

(b) in the circumstances described in paragraph 3.7 of the Guidelines, under direct contracting procedures in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract estimated to cost more than \$10,000,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

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

SCHEDULE 3

Actions Referred to in Paragraphs 4 (c)
and 5 (c) of Schedule 1 to this Agreement

Part A: Release Conditions for the Public Finance Management Tranche

1. The Borrower has reduced by no less than 10 percent the rate of all exit taxes (droits de sortie) on the export of goods (except for forestry products) provided for by its Law No. 94/002 of July 1, 1994, Portant Loi de Finances de la R^epublique du Cameroun pour l'Exercice 1994-1995, as amended.

2. The Borrower has adopted reorganization plans (plans d'organisation des effectifs) satisfactory to the Association for the following Ministries: (a) MINAGRI; (b) MINEF; (c) MINEPIA; (d) MINMEE; (e) MINREST; and (f) MINTP; and is current in their implementation in accordance with timetables relating thereto.

3. The Borrower has furnished evidence satisfactory to the Association showing that the aggregate public expenditures under its Law No. 95/010 of July 1, 1995, Portant Loi de Finances de la Republique du Cameroun pour l'Exercice 1995-1996 for the

following Ministries: (a) MINAGRI; (b) MINEDUC; (c) MINEF; (d) MINEFI; (e) MINEPIA; (f) MINJUSTICE; (g) MINREST; (h) MINSANTE; (i) MINT; and (j) MINTP; have been no less than 44 percent of aggregate spending commitments for all of the Borrower's Ministries (excluding expenditures on public debt, pensions and severance payments) as specified in the Borrower's circular No. 002 CAB/PM of August 9, 1995.

4. The Borrower's 1996-1997 budget has been enacted and the aggregate proportion of allocations made for the Ministries referred to in paragraph 3 of this Part is higher than the proportion of allocations made for such Ministries in the Law No. 95/010 of July 1, 1995, Portant Loi de Finances de la Republique du Cameroun pour l'Exercice 1995-1996.

5. The Borrower has enacted legislation satisfactory to the Association to institute procedures which expedite judicial credit recovery including:

(a) amendments to Law No. 89/021 of December 29, 1989, Fixant une Procedure Simplifie de Recouvrement des Creances Civiles et Commerciales; and

(b) amendments to Law No. 92/008 of August 14, 1992, Fixant Certaines Dispositions Relatives a l'Execution des Decisions de Justice.

Part B: Release Conditions for the Financial Sector Reform Tranche

1. The agreement dated December 29, 1995 among the Borrower, the shareholders of SGBC and SGBC for the restructuring of SGBC has been implemented in accordance with its terms.

2. BICIC's, CAC's and SCBC's non-performing assets and frozen deposits: (a) have been separated from performing assets; and (b) have been transferred to SRC.

3. BMBC has been put into liquidation and a banking/judicial liquidator has been appointed.

4. The Borrower has implemented the restructuring of BICIC, CAC and SCBC in accordance with paragraphs 69 to 74 of the Program.

5. The Borrower has, in accordance with paragraphs 60 to 65 of the Program: (a) amended SRC's by-laws; (b) implemented a new organigram for SRC and reorganized its personnel; and (c) established a new Board of Directors of SRC.

6. The Borrower has adopted measures concerning the treatment of delinquent borrowers in accordance with paragraphs 66 and 67 of the Program.

