

CONFORMED COPY

CREDIT NUMBER 2874 GUI

DEVELOPMENT CREDIT AGREEMENT

(Mining Sector Investment Promotion Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 2, 1996

CREDIT NUMBER 2874 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 2, 1996, between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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

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

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

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment

or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "ANAIM" means Agence Nationale d'Amenagement des Infrastructures Minières, an agency of the Borrower established and operating pursuant to Decree No. D/95/169, dated June 5, 1995, of the Borrower;

(b) "AREDOR" means Association pour la Recherche et l'Exploitation du Diamant et de l'Or, a société anonyme established pursuant to an agreement, dated July 7, 1981, concluded between the Borrower and a group of private investors and operating in accordance with the commercial laws of the Borrower;

(c) "CBG" means Compagnie de Bauxite de Guinée, a mining corporation established pursuant to an agreement, dated October 1, 1963, concluded between the Borrower and a group of private investors and operating in accordance with the commercial laws of the Borrower;

(d) "FRIGUIA" designates a société mixte known as FRIGUIA, established pursuant to an agreement, dated February 5, 1958, as amended on February 10, 1973, and February 5, 1995, concluded between the Borrower and a group of private investors and operating in accordance with the commercial laws of the Borrower;

(e) "MMG" means the Ministère des Mines et de la Géologie of the Borrower;

(f) "SBK" means Société des Bauxites de Kindia, a state owned enterprise of the Borrower, established and operating pursuant to Decree No. D/92/244/PRG/SGG, dated September 14, 1992, of the Borrower;

(g) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters, dated July 8, 1992 and August 26, 1992, and July 27, 1995 and August 4, 1995, between the Borrower and the Association;

(h) "Project Implementation Manual" or "PIM" means the manual outlining the procurement, disbursement and other implementation arrangements for the Project adopted by the Borrower pursuant to Section 5.01 (d) of this Agreement;

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

(j) "Mining Code" means Law No. 036, dated June 30, 1995, of the Borrower relating to the exploration and carrying out of mining operations within the Borrower's territory;

(k) "Parliament" means the Parliament of the Borrower;

(l) "Project Account" means the account referred to in Section 3.04 of this Agreement; and

(m) "Service Contracts" means the contracts concluded to procure geological services required for the database and referred to under Part B of the Project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight

million three hundred thousand Special Drawing Rights (SDR 8,300,000).

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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, 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 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 December 31, 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 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 semi-annual installments payable on each April 1 and October 1 commencing October 1, 2006, and ending April 1, 2036. Each installment to and including the installment payable on April 1, 2016 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 Asso-

ciation 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 United States of America 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, shall carry out the Project through MMG with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, mining and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. For the purpose of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain a Project Account in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount equivalent to \$300,000;

(c) thereafter, deposit into the Project Account by the first day of each calendar year, an amount equivalent to the budgetary allocation appropriated for the purposes of the Project in accordance with the provisions of paragraph 3 (b) of Schedule 4 to this Agreement; and

(d) ensure that funds deposited into the Project Account shall be used only for the purposes of defraying the cost of expenditures incurred in the execution of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) 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 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 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 V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Borrower has deposited into the Project Account an

initial amount equivalent to \$300,000;

(b) the Borrower has recruited independent auditors in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower has established, for the purposes of the Project, an accounting and financial management system satisfactory to the Association; and

(d) the Borrower has adopted a Project Implementation Manual satisfactory to the Association.

Section 5.02. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 579
Conakry
Guinea

Telex:

22399 MINFIN

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 GUINEA

By /s/ Mohamed Aly Thiam
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib
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. Consultants' services	2,850,000	100%
2. Service contracts	4,140,000	85%
3. Training and workshops	280,000	100% of foreign expenditures and 85% of local expenditures
4. Refunding of Project Preparation Advance	360,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
5. Unallocated	670,000	
	<hr/>	
TOTAL	8,300,000 =====	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for 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 objective of the Project is to strengthen the Borrower's capacity to improve the competitiveness of its mining sector so as to enable it to attract private investment for mining ventures in the Borrower's territory.

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: Streamlining of the Mining Sector Legal and Regulatory Framework

1. Provision of advisory services required to streamline existing legislation pertaining to the exploration and carrying out of mining ventures namely through a review of: (a) the mining code with a view to drafting the required implementation decrees; and (b) harmonizing the provisions of the mining code with pertinent provisions of other legislation which are relevant for mining operations such as: (i) the investment code; (ii) the labor code; and (iii) environmental laws and regulations.

2. Carrying out of workshops to foster the participation of relevant agencies and entities concerned (i.e. technical ministries, local government, trade unions and mining corporations) so as to build a national consensus on desirable policy reforms for the mining sector.

Part B: Development of a Geological and Mining Database

1. Creation of a national geological and mining database and establishment of a reliable mining cadastre.

2. Production of geological maps.

Part C: Institutional Capacity Building

1. Strengthening the capacity of MMG to: (i) better carry out its responsibility as regulator of the mining sector; (ii) promote the divestiture by the Borrower from mining ventures; (iii) increase its performance in the timely granting of mining rights to potential investors; (iv) monitor compliance by mining ventures operators with operating standards mandated inter alia through environmental, safety and health regulations; (v) maintain a reliable mining cadastre to register and secure the rights of mining titles holders; and (vi) adequately exercise the rights of the Borrower as shareholder in existing mining corporations.

2. Formulation of appropriate regulations (i.e. environmental, health and safety) for the carrying out of artisanal small scale mining operations.

3. Strengthening the capacity of relevant central and local government authorities to enforce compliance with the regulations applicable to artisanal mining operators through provisions of appropriate logistical support for surveillance and monitoring of artisanal mining operations.

Part D: Restructuring of State Owned Mining Corporations

Carrying out of diagnostic studies and formulation of action plans for the privatization or liquidation of AREDOR, and for the restructuring of SBK, CBG and FRIGUIA.

Part E: Training and Workshops

1. Provision of on-the-job training and study tours abroad in topics relating to the mining sector for selected MMG staff.

2. (a) Carrying out of workshops to disseminate information pertaining to the Borrower's new mining policy namely with respect to attracting foreign investments for mining operations within the Borrower's territory; and (b) formulating a strategy and related documentation as required to implement the new mining policy referred to in paragraph (a) above.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Service Contracts

Part A: General

Contracts for the establishment of the geological database (including geological survey maps production and installation of a mining cadastre) 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

1. Except as otherwise provided in Part C of this Section, service contracts shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraphs 5 of Appendix 1 thereto.

2. Prequalification

Bidders for service contracts shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

Items required for training and workshops may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

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

3. Post Review

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

Section II. Employment of Consultants

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

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

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) implement the Project in accordance with the procedures set out in the PIM, and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof which, in the opinion of the Association, may materially or adversely affect the execution of the Project; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators included in the PIM, satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof.

2. For the purposes of carrying out the Project, the Borrower shall:

(a) ensure that each Part of the Project is carried out under the responsibility of an expert with qualifications and professional experience which shall be at all times satisfactory to the Association; and (b) conclude, for the purpose of execution of Part B of the Project, contractual arrangements, under terms and conditions satisfactory to the Association, with a geological firm of international repute, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

3. The Borrower shall:

(a) by October 31 of each year, submit its draft annual work programs for the Project and related budgets to the Association for its review and comments;

(b) by November 30 of each year, finalize the said work programs and related budgets by taking duly into account the comments and recommendations made by the Association;

(c) promptly thereafter, carry out the work programs referred to in paragraph (b) above as they shall have been finalized in agreement with the Association; and

(d) submit to the Association, not later than thirty (30) days after the end of each calendar quarter, a report of such scope and detail as reasonably determined by the Association, on the progress achieved in the execution of the Project during that calendar year.

4. The Borrower shall: (a) not later than March 31, 1997, prepare (i) draft implementation decrees required under the mining code, and (ii) draft legislation aimed at harmonizing the mining code with the provisions of other relevant legislation referred to under Part A.1 (b) of the Project; (b) not later than June 30, 1997, submit to the Association for its review and comments the draft legislation referred to in paragraph (a) above; and (c) by December 31, 1997, take all measures required on its part to improve its mining legal and regulatory framework, inter alia, by enacting implementation decrees required to give full effect to the mining code and by introducing in

Parliament proposed amendments to the mining code as agreed upon with the Association.

5. The Borrower shall: (a) by not later than October 31, 1996, submit the results of the technical and financial audits of AREDOR and SBK to the Association for its review and comments; (b) by not later than December 31, 1996, carry out detailed diagnostic studies under terms and conditions satisfactory to the Association, to select the most appropriate restructuring schemes for SBK, CBG and FRIGUIA, and to design adequate action plans to carry out the said schemes for each of the aforementioned state-owned enterprises; (c) by June 30, 1997, submit the results and recommendations of the said studies to the Association for its review and comments; and (d) promptly thereafter, implement each action plan referred to above in accordance with implementation modalities and schedule agreed upon with the Association.

6. The Borrower shall conduct the workshops referred to under Part A (2) of the Project under arrangements approved by the Association; said arrangements shall include, inter alia, the terms of reference, the selection of topics, the duration of each workshop, the proposed budget, the draft list of participants and the qualification of selected speakers.

7. Not later than December 31, 1997, the Borrower shall carry out jointly with the Association, a comprehensive mid-term review to assess the progress achieved in the execution of the Project.

(a) Without any limitation to the generality of the foregoing, the review shall cover the implementation and management aspects of the Project, including policy reforms, the performance and use of the technical assistance personnel, the role and performance of national experts involved in the execution of the Project, the status and results of training, reporting, accounting and audit performance, disbursement and procurement procedures, and the level of amounts deposited into the Project Account.

(b) Not later than thirty (30) days prior to the said mid-term review, 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 implementing the various components of the Project, and a draft action plan containing proposals for remedying identified deficiencies.

(c) The Borrower shall, promptly thereafter: (i) prepare and adopt an action plan, acceptable to the Association, based on the recommendations stemming from the aforementioned review; and (ii) thereafter, carry out the said action plan for the remaining period of Project implementation.

8. The Borrower shall:

(a) carry out an environmental audit aimed at assessing potential damage to the environment by mining operations with a view to formulating and enacting appropriate mining operations regulations required to promote environmentally sustainable mining operations within the Borrower's territory;

(b) submit the results and recommendations of the environmental audit to the Association not later than August 31, 1997, for its review and comments; and

(c) adopt the recommendations of the said environmental audit as agreed upon with the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) 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 \$500,000 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 \$250,000 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 670,000.

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;

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

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

