

CONFORMED COPY

CREDIT NUMBER 2511 SL

Development Credit Agreement

(Freetown Infrastructure Rehabilitation Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 1993

CREDIT NUMBER 2511 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 15, 1993 between the REPUBLIC OF SIERRA LEONE (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) Parts A (1), A (2), A (4), B, D and E, of the Project will be carried out on behalf of the Freetown City Council (FCC) with the Borrower's assistance by the Sierra Leone Roads Authority (SLRA), a statutory corporation established and operating under the laws of the Borrower;

(C) Part A (3) of the Project will be carried out by SLRA on behalf of the Borrower;

(D) Part C of the Project will be carried out with the Borrower's assistance by the Guma Valley Water Company (GVWC), a company established and operating under the laws of the Borrower;

(E) the Borrower will, as part of such assistance, make available to SLRA and GVWC the proceeds of the Credit as hereinafter provided;

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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "SLRA Project Agreement" means the agreement between the Association and SLRA 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 SLRA Project Agreement;

(b) "GVWC Project Agreement" means the agreement between the Association and GVWC 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 GVWC Project Agreement;

(c) "Project Agreements" means the SLRA Project Agreement and the GVWC Project Agreement;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GVWC pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(e) "SLRA Special Account" means the account opened in the name of SLRA and referred to in Section 2.02 (b) of this Agreement;

(f) "GVWC Special Account" means the account opened in the name of GVWC and referred to in Section 2.02 (b) of this Agreement;

(g) "Special Accounts" means the SLRA Special Account and the GVWC Special Account;

(h) "SLRA Act" means the Sierra Leone Roads Authority Act, 1992, of the Borrower, as amended to the date of this Agreement;

(i) "SLRA" means the Sierra Leone Roads Authority established and operating under the SLRA Act;

(j) "GVWC Act" means the Guma Valley Water Act, 1961, of the Borrower, as amended to the date of this Agreement;

(k) "GVWC" means the Guma Valley Water Company established and operating under the GVWC Act;

(l) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement;

(m) "FCC" means the Freetown City Council;

(n) "PMCU" means the Project Management and Coordinating Unit referred to in Part D (1) of the Project and Section 2.01 (b) of the SLRA Project Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated September 22, 1992 and

March 26, 1993 between the Borrower and the Association; and

(p) "Leone" means currency of the Borrower.

## 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 eighteen million four hundred thousand Special Drawing Rights (SDR 18,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for 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 dollars two special deposit accounts in a commercial bank or banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. One such Special Account shall be in the name of SLRA (the SLRA Special Account) and the other Special Account shall be in the name of GVWC (the GVWC Special Account). Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 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, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next 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 January 15 and July 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 January 15 and July 15, commencing July 15, 2003 and ending January 15, 2033. Each installment to, and including the installment payable on, January 13, 2013, 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 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause SLRA and GVWC to perform in accordance with the provisions of the Project Agreements all the respective obligations of SLRA and GVWC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SLRA and GVWC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall: (i) provide in its budget amounts sufficient to cover its counterpart contributions to the costs of the Project; (ii) open and thereafter maintain in a commercial bank in the name of SLRA a project account (the Project Account) to be utilized by SLRA for purposes of the Project. The Borrower shall deposit into the Project Account (A) an initial amount of 200 million Leones, and (B) the remaining part of said counterpart contributions, quarterly in advance, in the amounts determined by the Borrower and the Association.

(c) The Borrower shall for purposes of the Project relend \$7,000,000 equivalent out of the proceeds of the Credit to GVWC

under a subsidiary loan agreement to be entered into between the Borrower and GVWC under terms and conditions which shall have been approved by the Association and which shall include: (i) repayment of principal in 20 years (including 5 years of grace); (ii) annual interest at the prevailing rate payable by borrowers on loans made by the Bank; (iii) capitalization of: (A) interest during construction; and (B) related taxes and duties during the period of repayment of principal of the proceeds of the Credit relented to GVWC; and (iv) the assumption by GVWC of any foreign exchange risks on such proceeds.

(d) The Borrower shall, out of the proceeds of the Credit make available to SLRA \$19,000,000 equivalent, as a grant, on terms and conditions which shall have been approved by the Association including terms requiring the carrying out by FCC of the actions described in Part B of Schedule 4 to this Agreement to the satisfaction of the Association.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

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. 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 SLRA and GVWC pursuant to Section 2.03 of the Project Agreements.

Section 3.04. The Borrower shall carry out, or cause to be carried out, the actions specified in Schedule 4 to this Agreement to the satisfaction of the Association.

Section 3.05. The Borrower shall, until completion of the Project, jointly with SLRA, GVWC, FCC and the Association, carry out in October of each year an annual review of the Project. The annual review shall, inter alia, assess: (i) the progress made in carrying out the various components of the Project; (ii) the work program and budgetary allocations proposed for the said components; (iii) compliance with financial, audit and other covenants under the Project; (iv) the carrying out of GVWC's metering program and its water tariff structure based on metered consumption; (v) status of the solid waste management component of the Project; (vi) performance under the Project of PMCU and FCC's Maintenance Unit; and (vii) corrective measures that need to be taken including changes, if any, in the scope and content of the Project.

#### ARTICLE IV

##### Financial and Other 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 expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has

received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made;

- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts 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, 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) SLRA shall have failed to perform any of its obligations under the SLRA Project Agreement;
- (b) GVWC shall have failed to perform any of its obligations under the GVWC Project Agreement;
- (c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SLRA or GVWC will be able to perform its obligations under the SLRA Project Agreement or the GVWC Project Agreement;
- (d) the SLRA Act or GVWC Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SLRA or GVWC to perform any of its obligations under the SLRA Project Agreement or the GVWC Project Agreement; and
- (e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SLRA or GVWC or for the suspension of the operations of SLRA or GVWC.

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

- (i) any of the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and
- (ii) any of the events specified in paragraphs (d) and (e) 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) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and GVWC;
- (b) the establishment of the Project Account and the payment into the Project Account of an initial amount of 200 million Leones;
- (c) the appointment by SLRA for the PMCU of an Engineer/ Procurement Specialist, a Project Accountant and an Assistant Project Manager in accordance with Section 2.01 (b) of the SLRA Project Agreement; and
- (d) the conclusion by the Borrower and GVWC of the financial arrangements referred to in paragraph 9 of Schedule 4 to this Agreement.

Section 6.02. The following events are specified as additional matters, 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:

- (a) that the Project Agreements have been duly authorized or ratified by and are legally binding upon SLRA and GVWC in accordance with their terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and GVWC and is legally binding upon the Borrower and GVWC in accordance with its terms.

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

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Secretary of State for Finance, Development and Economic Planning of the Borrower 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 Financial Secretary  
The Department of Finance, Development  
and Economic Planning  
Freetown  
Sierra Leone

Cable address:

MINFIN  
Freetown

Telex:

3363

Telefax:

225353

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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

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

REPUBLIC OF SIERRA LEONE

By /s/ T.K. Kargbo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		100% of foreign expenditures and 80% of local expenditures
(a) Community/ slum upgrading	780,000	
(b) Market improvement	1,270,000	
(c) Roads	4,590,000	
(d) Water supply	1,560,000	
(2) Equipment, vehicles and materials:		100% of foreign expenditures and 90% of local expenditures
(a) SLRA	430,000	
(b) FCC	570,000	



Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(c) GVWC	2,050,000	
(3) Technical assistance and training:		100%
(a) SLRA	3,250,000	
(b) FCC	430,000	
(c) GVWC	570,000	
(4) Refunding of Project Prepara- tion Advance	1,060,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(5) Unallocated	1,840,000	
	<hr/>	
TOTAL	18,400,000 =====	

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:

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

(b) expenditures under Category (2) (b) relating to equipment which is not firefighting equipment unless FCC has, subject to the recommendations of the review of FCC's organization and finances to be carried out under Part D (2) of the Project, established a maintenance unit satisfactory to the Association and appointed a Municipal Engineer to head the unit.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (i) improve infrastructure in Greater Freetown city, with particular regard to the needs of the disadvantaged poor sectors of the city; and (ii) strengthen the technical and financial capabilities of agencies responsible for (A) operating and maintaining new urban facilities, and (B) planning and managing future urban infrastructure investment programs.

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: Urban Upgrading

(1) Urban improvements in the following deprived areas of Freetown

city, namely, Krootown/Kroo Bay, Mabella, Susan's Bay, Congo Market, Brookfields and Ginger Hall consisting of: (i) provision of communal facilities of water supply, toilets, solid waste disposal, necessary access facilities and other minimal upgrading measures for some of the said areas; and (ii) construction of roads and footpaths, water supply, sanitary facilities, drainage and more comprehensive range of upgrading measures for the remaining areas, all as determined by the Borrower and the Association.

- (2) Improvement of the following city center markets, namely, Krootown Road Market, Smythe Street Market, Kennedy Street/Kissy Road Market, Garrison Street Market, Guard Street Market and Abattoir, and Bombay Street Market including improvement of water supply, toilet and washing facilities, access, garbage collection and disposal facilities, structural repairs to market buildings and improvement of other public health facilities.
- (3) Strengthening and extending the solid waste management operations of the Department of Health and Social Services (DOHSS) including: (i) purchase for DOHSS of (A) 50 garbage containers to be sited in the market and other areas to be upgraded under the Project; and (B) two skip trucks and necessary transport vehicles for DOHSS's monitoring unit; and (ii) a study to review Freetown city's solid waste management system in order to recommend the long-term options necessary for the proper operation and management of the system.
- (4) The carrying out of a program for the resettlement of all persons to be displaced by the urban improvement and upgrading works to be carried out under the Project.

#### Part B: Rehabilitation/Upgrading of Access Roads

Provision of access to deprived areas and markets selected for upgrading under the Project including: (i) repair and improvement of carriageway and footway surfaces; (ii) construction or improvement of adjacent roadside drains to obviate stormwater damage; (iii) covering of existing open drains in areas of high pedestrian traffic; and (iv) a comprehensive traffic management study to facilitate informed decisions on future road projects and to assist the formulation of a comprehensive traffic and transport policy.

#### Part C: Water Supply

- (1) Optimizing the existing water supply system operated by the Guma Valley Water Company (GVWC) and strengthening GVWC's financial and management capabilities including: (i) the carrying out of a leak detection and repair program to reduce system losses; (ii) the installation of (A) a universal metering program for all consumers; and (B) a routine distribution expansion program; (iii) provision to GVWC of communications and transport facilities; and (iv) strengthening GVWC's accounting and billing systems.
- (2) The carrying out of studies to: (i) assess water demand and system requirements; (ii) review GVWC's organization, operations and finances; (iii) review GVWC's water tariff structure; and (iv) recommend measures for improvement in GVWC's management and operations.

#### Part D: Institutional Support

- (1) The establishment of a Project Management and Coordination Unit satisfactory to the Association (PMCU) including: (i) purchase for PMCU of vehicles, office equipment and supplies; and (ii) training of the staff of PMCU.
- (2) Strengthening the management, operations and finances of Freetown City Council (FCC) including: (i) a review of FCC's organization and finances; (ii) establishment of a maintenance

capability within FCC's City Engineer's Department; (iii) the employment for the FCC of a qualified and experienced Municipal Engineer to be responsible for setting up and managing a maintenance unit; (iv) the purchase for FCC of equipment and facilities required for its maintenance unit and emergency firefighting equipment; and (v) training of the staff of FCC.

Part E: Technical Assistance

Provision of technical assistance for the Project, including technical assistance for: (i) engineering design and construction supervision; (ii) strengthening FCC and the overall Project management; (iii) preparation of a structure plan for Greater Freetown; and (iv) the carrying out of (A) feasibility studies for the rehabilitation and upgrading of infrastructure in other major urban centers in Sierra Leone; and (B) a storm drainage and sewerage study.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

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 to be withdrawn from the Credit Account and deposited pursuant to paragraph 3 (a) of this Schedule into: (i) the SLRA Special Account equivalent to \$1,000,000; and (ii) the GVWC Special Account equivalent to \$600,000.

2. Payments out of a 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 a 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 a 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 a 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 a 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 a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit

Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 4

##### Actions Referred to in Section 3.04 of this Agreement

###### Part A: General

1. An organizational and financial review of FCC shall be carried out under terms of reference satisfactory to the Association and completed by December 31, 1993.
2. A structure plan for Greater Freetown shall be prepared under terms of reference satisfactory to the Association and furnished to the Association by September 30, 1994.
3. A solid waste sector review for Greater Freetown shall be carried out under terms of reference satisfactory to the Association and completed by March 31, 1994.
4. A traffic management study shall be carried out under terms of reference satisfactory to the Association and completed by December 31, 1994.
5. FCC shall: (i) subject to the recommendations of the review of the organization and finances of FCC to be carried out under Part D (2) of the Project, establish and thereafter maintain a Maintenance Unit in a form and with functions and staffing satisfactory to the Association; and (ii) appoint a Municipal Engineer with qualifications and experience satisfactory to the Association to head the Maintenance Unit.
6. The Department of Health and Social Services (DOHSS) shall ensure that: (i) the facilities provided to DOHSS under the Project are properly operated and maintained; and (ii) waste collection and disposal are efficiently carried out in the designated areas of the Project in accordance with a plan satisfactory to the Association.
7. The Borrower shall, by October 31, 1993, complete to the satisfaction of the Association and in accordance with the relocation plan furnished to, and agreed with, the Association the relocation of persons to be displaced by improvements to be carried out under the Project in the Bombay Street Market and Kroo Bay areas of Freetown.
8. FCC shall carry out to the satisfaction of the Association and in accordance with the plan furnished to, and agreed with, the Association the plan for involving residents of the Project area in the discussion of Project issues.
9. The Borrower shall conclude arrangements satisfactory to the Association with GVWC for: (i) the conversion by the Borrower into equity of certain debt obligations of GVWC to the Borrower; (ii) the settlement in full no later than June 30, 1993 of debt obligations, as of January 31, 1993, of the Borrower and its departments and agencies to GVWC; and (iii) the servicing by GVWC of its debts to third parties.
10. The Borrower shall carry out, to the satisfaction of the Association, the plan agreed with the Association for the mitigation of potential environmental harm during the course of Project execution.

###### Part B: Management and Operations of FCC's Maintenance Unit

1. FCC shall cause its Maintenance Unit at all times to:
  - (a) carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and public utility practices under the supervision of qualified and

experienced management assisted by competent staff in adequate numbers;

(b) operate and maintain its plant, machinery, equipment and other property and, from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices; and

(c) take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

2. FCC shall cause its Maintenance Unit to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

3. FCC shall: (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited, and (B) 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

