

CONFORMED COPY

CREDIT NUMBER 1836 CA

(Cotton Sector Adjustment Credit)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 17, 1987

CREDIT NUMBER 1836 CA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 17, 1987, between CENTRAL AFRICAN REPUBLIC (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS (A) the Association has received a letter dated May 29, 1987 from the Borrower stating its policies in the cotton sector and declaring the Borrower's commitment to the execution of policy reforms (the "Program") aiming at reducing the shortcomings of the cotton industry and at establishing the basis for a broader agricultural development strategy, declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution;

(B) Pursuant to Section F of the Resolution No. IDA 85-1, of May 21, 1985 (the "Resolution") the Government of Japan ("Japan") has agreed to provide Japanese

funds in the form of grants (the "SJF Grants") in support of programs of structural change, policy reform and institutional improvement in countries which are eligible for financing from the resources of the Special Facility for Sub-Saharan Africa (the "African Facility");

(C) by the notes exchanged between Japan and IDA on November 20, 1985, (the "Notes") concerning the SJF Grants, Japan and IDA agreed that IDA will act as administrator (the "Administrator") of the Japanese funds in accordance with the provisions of the Notes;

(D) the Borrower has requested Japanese funds from the Administrator for the financing of part of the Project, in an amount equivalent to two hundred and twenty five million Japanese Yens (225,000,000) and the Administrator has determined that provision of such funds (the "Japanese Grant") on the terms and conditions set forth in an agreement (the "Japanese Grant Agreement") of even date herewith between the Borrower and the Administrator would be in accordance with the provisions of the Resolution and the Notes;

(E) under the Notes concerning the provision of Japanese funds in the form of loans as a part of Japan's cooperation with the African Facility the Borrower intends to obtain from the Japan Overseas Economic Cooperation Fund (hereinafter called "OECF") a loan (the "OECF Loan") in an amount equivalent to six hundred million Japanese Yens (600,000,000) to assist in the financing of part of the Project under the terms and conditions set forth in an agreement (the "OECF Loan Agreement") to be entered into between the Borrower and OECF;

(F) the Borrower intends to contract from the Saudi Fund for Development a loan (the "Saudi Loan") in an amount of nine million Saudi Rials (SR9,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the "Saudi Fund Agreement") to be entered into between the Borrower and the Saudi Fund for Development; and

(G) 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 of Policy Reforms 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."; and

(c) the last sentence of Section 3.02 is deleted.

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) "CAISTAB" means Caisse de Stabilisation et de la Perequation des Prix des Produits Agricoles, the Borrower's agricultural price stabilization fund, established by the Borrower's Ordonnance No. 80.048 dated June 12, 1980;

(b) "CFAF" means the currency of the Borrower;

(c) "Comite de Suivi" means the interministerial committee established by the Borrower in accordance with Section 5.01 (a) of this Agreement with the task of supervising the preparation and implementation of the Program;

(d) "Intermediation Margin" for any given type of cotton means the difference, in a given period of time, between the CIF prices paid by the foreign importers and the prices paid to the producers in the Borrower's territory;

(e) "MRD" means the Borrower's Ministry of Rural Development;

(f) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 3), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 34/Rev. 3 (1986);

(g) "SOCADA" means Societe Centrafricaine de Developpement Agricole, a mixed economy company entrusted with the provision of inputs, processing and marketing of cotton and with the research, extension and other rural development activities in the cotton zones of the Borrower's territory, established by the Borrower's Ordonnance No. 80.001 dated January 2, 1980; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million five hundred thousand Special Drawing Rights (SDR 11,500,000).

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) The Borrower shall, for the purposes of the Project, open and maintain in the Bangui Branch of the Banque des Etats de l'Afrique Centrale ("BEAC") a special account in CFAF on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1988 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 semiannual installments payable on each May 15 and November 15 commencing on November 15, 1997, and ending May 15, 2027. Each installment to and including the installment payable on May 15, 2007 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 Republic of France is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) The Chairman of the Comite de Suivi 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 Secretary of the Comite de Suivi 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 four hundred thousand Special Drawing Rights (SDR 400,000) 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.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and services 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. In order to assist the Borrower in the carrying out of the Program, the Borrower shall employ the following consultants and experts who shall report to the Comite de Suivi and whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association:

(a) a team of consultants to establish the mechanisms for setting the Intermediation Margins for the three twelve-month periods starting from November 1 of each year and ending on October 31 of the next following year, the first such period to start on November 1, 1987 and the last to start on November 1, 1989;

(b) a management controller to control implementation of the Program, to contribute to the setting of the mechanism referred to in paragraph (a) of this Section, to verify its application, to authorize payment of the subsidies in favor of the production of cotton, and to verify the applications for withdrawal referred to in Section 5.03 of the General Conditions; and

(c) a negotiator to search candidates for and to negotiate the possible transfer of SOCADADA's commercial activities to private operators as indicated in Schedule 3 of this Agreement.

Such consultants and experts shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.04. (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 four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said 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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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) 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 Events of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) an event has occurred which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) The Borrower's legal text establishing the Comité de Suivi shall have been amended, suspended, abrogated, repealed or waived without the prior approval of the Association.

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any of the Japanese Grant, the OECF Loan and the Saudi Loan shall have been suspended, cancelled or terminated, in whole or in part, pursuant to the terms of any of the Japanese Grant Agreement, the OECF Loan Agreement and the Saudi Loan Agreement; or

(B) any of the OECF Loan and the Saudi Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(B) adequate funds required during the execution of the Program are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (c) (i) (B) of Section 4.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

#### 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 established in due form the Comité de Suivi; and

(b) the Borrower has submitted to the Association a short list of the consultants referred to in Section 3.03 (a) of this Agreement.

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

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the State Secretariat for Planning, Statistics and Economic and Financial Cooperation 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:

State Secretariat for Planning,  
Statistics and Economic and  
Financial Cooperation  
P.O. Box 696  
Bangui  
Central African Republic

Cable address:

MINPLAN  
Bangui  
Central African Republic

Telex:

5208 RC

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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

CENTRAL AFRICAN REPUBLIC

By /s/ Christian Lingama-Toleque

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. 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 and services 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 items in the following SITC groups or sub-groups:

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

(b) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower, excluding: (i) if the currency of the Borrower is also that of another country, expenditures in such currency for goods or services supplied from the territory of such other country; and (ii) withdrawals from the Credit Account in an aggregate amount not exceeding the equivalent of three hundred thousand Special Drawing Rights (SDR 300,000) on account of operating and equipping expenses of MRD;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals from the Credit Account and the Japanese Grant Account (as defined in the General Conditions applicable to the Japanese Grant Agreement) in an aggregate amount not exceeding the equivalent of two million three hundred thousand Special Drawing Rights (SDR 2,300,000) may be made on account of payments made for such expenditures before that date but after April 1, 1987;

(d) expenditures for goods and services procured under contracts costing less than ten thousand Dollars (\$10,000) equivalent;

(e) expenditures for goods and services supplied under a contract which any



national or international financing institution or agency other than the Association shall have financed or agreed to finance;

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

(g) expenditures for petroleum products and foodstuffs, except for withdrawals from the Credit Account and the Japanese Grant Account in an aggregate amount not exceeding the equivalent of two million nine hundred thousand Special Drawing Rights (SDR 2,900,000); and

(h) expenditures for consultants and experts exceeding the equivalent of five hundred thousand Special Drawing Rights (SDR 500,000).

3. Except for the financing of expenditures for consultants and experts and for the financing of operating and equipping expenses of MRD for an aggregate total amount equivalent to eight hundred thousand Special Drawing Rights (SDR 800,000), no withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Credit and the Japanese Grant:

(a) after the aggregate of the proceeds of the Credit and the Japanese Grant withdrawn from the Credit Account and the Japanese Grant Account and the total amount of such commitments shall have reached the equivalent of six million two hundred thousand Special Drawing Rights (SDR 6,200,000), unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions described in Part A of Schedule 3 to this Agreement have been taken and are satisfactory to the Association; and

(b) after the aggregate of the proceeds of the Credit and the Japanese Grant withdrawn from the Credit Account and the Japanese Grant Account and the total amount of such commitments shall have reached the equivalent of ten million Special Drawing Rights (SDR 10,000,000) unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions described in Part B of Schedule 3 to this Agreement have been taken and are satisfactory to the Association.

4. If, after any such exchange of views, the Association is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Association, then the Association may, by notice to the Borrower, cancel the amount of the Credit unwithdrawn from the Credit Account or any part thereof.

## SCHEDULE 2

### Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of one million Dollars (\$1,000,000) or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

Business (i) a notice in the United Nations publication, Development Forum, Edition; or

of wide (ii) an advertisement in a newspaper, periodical or technical journal international circulation; or

referred to in (iii) a notice to local representatives of countries and territories the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods to be imported by the Borrower or its public sector entities, and estimated to cost the equivalent of less than one million Dollars (\$1,000,000) each, as well as contracts for goods to be imported by entities other than the Borrower or its public sector entities shall be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 3 or paragraph 4 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraphs 3, 4 and 5 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

### SCHEDULE 3

#### Actions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement

A. For purposes of the release of the Second Tranche

1. The Borrower has established a producer price setting system for cotton which provides for automatic adjustments to world market prices and includes:

(i) a minimum producer price (the "Floor Price") which shall be announced before February 1 of each year following a formula adopted by the Borrower and satisfactory to the Association; such Floor Price shall be of not less than CFAF 100 per kilo for the first quality seed cotton during the two twelve-month periods starting from February 1, 1988 and February 1, 1989 respectively;

and

(ii) a final producer price ("the Purchase Price") to be announced before November 1 of each year following a formula based on the anticipated export price of cotton for the forthcoming marketing season plus the export subsidies less the Intermediation Margins.

2. The Borrower has established a subsidy system in favor of any ginnery operator providing, inter alia, that any amounts funded out of the Borrower's budget shall be reduced by the amount of any other subsidy benefitting such ginnery operator, such system to be in accordance with the mechanism set forth in the letter referred to in Section (A) of the Preamble to this Agreement.

3. The Borrower has prepared a disbursement plan for payment of the subsidies provided under Section A.2 of this Schedule for the period November 1, 1987 to October 31, 1988.

4. The Borrower has appointed the consultants and experts referred to in Section 3.03 (b) and (c) of this Agreement.

5. The Borrower has set the Intermediation Margins for the three twelve-month periods starting from November 1, 1987, 1988 and 1989 respectively.

6. SOCADA has adopted a plan and a reorganization schedule to streamline and decentralize its structure, to initiate the separation of the management and accounting of its processing and marketing activities from that of its rural development activities, to appoint a new Deputy Manager, to appoint regional managers and to reduce its extension staff.

7. The Borrower has repaid SOCADA's arrears to the banking system for the period November 1, 1985 to October 31, 1986 for an amount of not less than three million CFAF (CFAF 3,000,000).

8. SOCADA and CAISTAB have terminated the convention regulating the relationship among themselves.

B. For purposes of the release of the Third Tranche

1. The Borrower has:

(a) submitted the report of the controller referred to in Section 3.03 (b) of this Agreement on the implementation of the Program;

(b) announced the Floor Price and the Purchase Price for the 1988/1989 cotton marketing season; and

(c) revised the input subsidies on fertilizers and insecticides, in accordance with the mechanisms set forth in the letter referred to in Section (A) of the Preamble to this Agreement.

2. The Borrower has completed the study on MRD's reorganization and has defined coordination mechanisms for agricultural research following the recommendations of the same study.

3. The Borrower has established a Cotton Sector Fund in which the majority shall be reserved to representatives of the private sector.

4. The negotiator referred to in Section 3.03 (c) of this Agreement has submitted an action plan, including:

(a) an implementation schedule;

(b) the terms and conditions of an offer to take over SOCADA's processing and marketing activities or to enter into a management agreement with SOCADA; and

(c) the identification of the counterparty to take over or manage such activities, as the case may be.

5. The Borrower has paid to the ginnery operator(s) the subsidies provided for in Section A.2 of this Schedule for the period November 1, 1987 to October 31, 1988.

6. SOCADA has:

(a) submitted to the Association its accounts for its 1986/1987 fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; and

(b) completed the reorganization referred to in Section A.6 of this Schedule.

7. The Borrower has repaid the unpaid balance of SOCADA's arrears to the banking system due for the period November 1, 1985 to October 31, 1986.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to six hundred million CFAF (CFAF 600,000,000) to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

(i) the Association shall have determined that all further withdrawals can be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General

Conditions and paragraph (a) of Section

2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit, minus 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 Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

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

(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 for crediting to the Credit Account.

