

CONFORMED COPY

CREDIT NUMBER 2775 COB

Development Credit Agreement

(Privatization and Capacity Building Project)

between

REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 11, 1995

CREDIT NUMBER 2775 COB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 11, 1995, between REPUBLIC OF CONGO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter from the Borrower, dated July 24, 1995, describing a program of actions, objectives and policies designed to reorganize, among other things, its public enterprise sector (the Program), and declaring the Borrower's commitment to the execution of the Program; and

(C) the Borrower intends to, and the Caisse Francaise de Developpement (CFD) has given its approval to, use part of the proceeds of the financing agreement between the Borrower and CFD (the CFD Financing Agreement) for the Borrower's structural adjustment program (the CFD Credit) to assist in financing part of the Project on terms and conditions set forth in the CFD Financing Agreement;

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

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

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

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

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

(a) "ATC" means Agence Transcongolaise des Communications, a holding company owned by the Borrower;

(b) "CFA Franc" and "CFAF" mean Franc de la Communauté Financière d'Afrique Centrale, the currency of the Borrower;

(c) "CFCO" means Chemin de Fer Congo-Océan, the Borrower's railway company and a subdivision of ATC;

(d) "CORAF" means Congolaise de Raffinage, the Borrower's petroleum refinery;

(e) "CP" means Comité de Privatisation, an entity, established under the Borrower's Law No. 21/94 of August 10, 1994, under the direction of MEFPP, and charged with the execution of the Program;

(f) "CRSF" means Comité de Restructuration du Secteur Financier, an entity under the direction of MEFPP, charged with the reorganization of the Borrower's financial sector;

(g) "DAC" means Direction des Affaires Civiles, an entity which is responsible for the execution of public enterprise liquidation;

(h) "French Francs" and "FF" mean the currency of the French Republic;

(i) "HC" means Hydro-Congo, the Borrower's petrochemical company;

(j) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations Development Programme;

(k) "IGE" means Inspection Générale d'Etat, an entity of the Borrower responsible for, among other things, the auditing of the civil service employment records;

(l) "MEFPP" means Ministère de l'Economie et des Finances, chargé du Plan et de la Prospective, the Borrower's ministry in charge of finance, economy and planning;

(m) "ONPT" means Office National des Postes et Télécommunications, the Borrower's postal and telecommunication agency;

(n) "Project Implementation Plan" means the guidelines for Project

implementation, agreed with the Association, which include inter alia: (i) a list of affected enterprises under Parts A (3) (e) and B of the Project and dated actions to be undertaken and goals to be achieved in relation to the enterprises indicated in said list; (ii) monitoring indicators; (iii) sample bidding documents; and (iii) terms of reference for consulting services;

(o) "PPN" means Port de Pointe-Noire, the Point-Noire harbor, a subdivision of ATC;

(p) "SGG" means Secretariat General du Gouvernement, the Borrower's entity responsible, among other things, for the publishing of the Official Gazette;

(q) "SNDE" means Societe Nationale de Distribution d'Eau, the Borrower's water supply company;

(r) "SNE" means Societe Nationale d'Electricite, the Borrower's electricity supply company;

(s) "SPCP" means Secretariat Permanent du CP, to be established under the Project;

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

(u) "VNPTF" means Voies Navigables, Ports et Transports Fluviaux, the Borrower's river port and river transport company, a subdivision of ATC.

## 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 this Agreement, an amount in various currencies equivalent to five million eight hundred thousand Special Drawing Rights (SDR 5,800,000).

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 French Francs 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.

Section 2.03. The Closing Date shall be June 30, 1999 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 canceled; 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 June 1 and December 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 semiannual installments payable on each June 1 and December 1, commencing December 1, 2005 and ending June 1, 2035. Each installment to, and including the installment payable on June 1, 2015, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MEFPP, with due diligence and efficiency, in conformity with appropriate administrative, financial and accounting practices, and with due regard to sound and appropriate 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 and with the Project Implementation Plan.

Section 3.02. The Borrower shall: (a) until the completion of the Project, open and maintain in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, an account (the Project Account) to be used exclusively to meet expenditures under the Project; and (b) deposit into the Project Account: (i) an initial deposit of twenty-five million CFA Francs (CFAF 25,000,000); and (ii) the remaining amount of its counterpart contributions, quarterly

in advance, to meet expenditures required for the Project during each such quarter.

Section 3.03. 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 3.04. For the purposes 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.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, and shall 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 audit period, 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) Without any limitation to the provisions of paragraph (b) of this Section, the Borrower shall:

(i) have the records and accounts for the Special Account audited in accordance with said paragraph (b), every four months during the first twelve months after the Effective Date and every six months during the second twelve months after the Effective Date; and

(ii) furnish to the Association, not later than two months after the end of the period audited, a certified copy of the report of any such audit.

(d) 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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices,

bills, receipts and other documents or customs certificates, as appropriate) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the audits referred to in paragraphs (b) and (c) of this Section and that the report of any such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year (or such other period referred to in paragraph (c) of this Section), together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## 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) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of the CFD Credit, or any other grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; or (B) the CFD Credit, or any such other grant, 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 for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) (ii) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of said Section.

## ARTICLE VI

### Effective Date; Termination

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

(a) the Borrower shall have appointed an independent auditor for the purposes of Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower shall have engaged an accountant, in accordance with the provisions of Section II of Schedule 3 to this Agreement and, with the assistance of such accountant, shall have established an accounting system for the Project, acceptable to the Association; and

(c) the Borrower shall have opened the Project Account referred to in Section 3.02 (a) of this Agreement and shall have deposited therein the initial amount stipulated in paragraph (b) of said Section.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The minister of the Borrower in charge of the economy and planning 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:

Ministry of Economy, Finance and Planning  
B.P. 64  
Brazzaville  
Republic of Congo

Cable address:

MINIPLAN  
Brazzaville

Telex:

5294 KG

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:

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 CONGO

By /s/ Nguila MOUNGOUNGA Nkombo

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) Goods and Vehicles	600,000	100% of foreign expenditures and 85% of local expenditures
(2) Consultants' services and training	4,900,000	100%
(3) Unallocated	300,000	
	<hr/>	
TOTAL	5,800,000	

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

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 to be rendered by consultant firms under contracts not exceeding \$100,000 equivalent, and for services to be rendered by individual consultants under contracts not exceeding \$50,000 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 assist the Borrower in the preparation and execution of its public enterprise and public sector reform program.

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: Policy and Institutional Support

1. Implementation of Public Enterprise Privatization:



(a) Restructuring of ATC through: (i) the establishment of PPN and the Brazzaville port as ports autonomes; (ii) the privatization of assets owned by, and services provided by, VNPTF; and (iii) the concessioning of CFCO for private operation.

(b) Restructuring of ONPT through: (i) separation, liberalization and deregulation of postal and telecommunication services; (ii) establishment of a postal company limited to mail distribution; (iii) liquidation of the financial intermediation services; (iv) transfer of telecommunication activities to the private sector; and (v) liquidation of the residual functions, assets and liabilities of ONPT.

(c) Reorganization of the Borrower's water and electricity sectors through: (i) privatization of the production, transport and distribution of water and electricity, and (ii) liquidation of the residual functions, assets and liabilities of SNE and SNDE.

(d) Reorganization of the Borrower's petroleum sector through: (i) privatization of the storage, transport and distribution activities and assets of HC and CORAF; and (ii) liquidation of the residual functions, assets and liabilities of HC and CORAF.

## 2. Regulations:

Definition of sectoral policies and preparation of a regulatory framework aimed at encouraging open competition and the development of private sector participation in the respective sectors for: (i) telecommunications, (ii) petroleum, (iii) power, (iv) water, and (v) transport.

## 3. Strengthening of the Institutional Capacity:

(a) Support through the provisions of technical assistance to CP and SPCP for the implementation of the Program.

(b) Establishment, through the provisions of technical assistance, of regulatory capabilities in the Ministries responsible for the supervision of the following sectors: (i) telecommunications, (ii) petroleum, (iii) power, (iv) water, and (v) transport.

## Part B: Liquidation of Public Enterprises:

Liquidation of 67 non-viable public enterprises through private liquidators.

## Part C: Financial and Public Sector Reforms:

1. Strengthening, through the provisions of technical assistance, of the planning and implementation capacity of CRSF for effective rehabilitation of the financial sector.

2. Strengthening, through the provisions of technical assistance and equipment, of the capacity of IGE to implement the Borrower's policy of rationalization of its civil service.

3. Strengthening of the capacity of SGG to regularly publish the Official Gazette, through the provision of equipment and the establishment of an electronic legal database.

## Part D: Communication:

Implementation of a communication campaign aimed at: (i) information to the Borrower's population of the advantages and constraints inherent to the Program; (ii) establishment of transparency of transfers of public assets; (iii) rallying support for the Program by the Borrower's population; and (iv) dissemination of information inside and outside the territory of the Borrower pertaining to the potential for economic development in the country, and the structural and regulatory changes undertaken.

\* \* \*

The Project is expected to be completed by December 31, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods shall be procured in accordance with the provisions of Section 1 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, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

###### (a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost more than \$50,000 equivalent each.

###### (b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient.

###### Part C: International Shopping and Procurement from UN Agencies:

Goods estimated to cost \$50,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, may be procured: (i) under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines, or (ii) through IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

###### Part D: Review by the Association of Procurement Decisions:

###### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts for goods estimated to cost \$100,000 equivalent or more per contract, 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 shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph.

###### 2. Prior Review

With respect to each contract for goods 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 thereto 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 Bank 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 individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank 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. MEFPP shall be responsible under the Project for activities related to privatization and liquidation of public enterprises. The Borrower shall establish the CP and its permanent secretariat, which shall be responsible for Project activities related to privatization, regulatory framework reform and communication. DAC shall be responsible for the liquidation activities. A Coordinator, appointed by and acting under the supervision of MEFPP, shall have overall responsibility for Project administration and bookkeeping. Said Coordinator shall at all times until the completion of the Project have qualifications and experience acceptable to the Association.

2. The Borrower shall ensure that all its departments or agencies responsible for carrying out the Project or any part thereof shall comply with the procedures included in the Project Implementation Plan, and shall not amend or waive such Project Implementation Plan so as to affect materially and adversely the carrying out of the Project.

3. Prior to the starting of major assignments, as defined in the Project Implementation Plan, by consultants employed in accordance with the provisions of Section II of Schedule 3 to this Agreement, the Borrower shall designate local counterparts to work with said consultants, under terms of reference and with qualifications acceptable to the Association.

4. (a) The Borrower shall carry out, jointly with the Association, not earlier than October 30, 1996 and not later than December 31, 1996, a mid-term review of the progress made in carrying out the Project (referred to in this paragraph as the Mid-Term Review). The Mid-Term Review shall cover, among other things: (i) progress in meeting the Project's objectives; (ii) overall Project performance against Project performance indicators; and (iii) the performance of the consultants under the Project.

(b) The Borrower shall, at least three weeks prior to the Mid-Term Review, furnish to the Association a report describing the status of the items listed in paragraph (a) above and of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Mid-Term Review, prepare an action program, acceptable to the Association, for the further

implementation of the Project having regard to the findings of the Mid-Term Review and, thereafter, implement such action program.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to three million French Francs (FF 3,000,000) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 acceptable 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 deposit into the Special Account of an amount or amounts 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 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) and (c) (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, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

[Redacted]