

CONFORMED COPY

CREDIT NUMBER 1795 BU

(Economic and Public Enterprise
Management Project)

between

THE REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 1987

CREDIT NUMBER 1795 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 9, 1987, between THE REPUBLIC OF BURUNDI (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) Part A of the Project shall be carried out by the Borrower through its Service Charge des Entreprises Publiques (SCEP);

(C) Parts B and C of the Project shall be carried out by the Borrower through its Ministry at the Presidence responsible for Planning and its Ministry of Finance, respectively; and

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:

(a) "MPCP" means Ministere a la Presidence Charge du Plan, the Borrower's Ministry at the Presidence responsible for Planning;

(b) "MF" means Ministere des Finances, the Borrower's Ministry of Finance;

(c) "SCEP" means Service Charge des Entreprises Publiques, the Borrower's Public Enterprise Service organized pursuant to the Borrower's Decree No. 100/48/86 dated July 10, 1986, under the supervisory authority of the President of the Republic of Burundi;

(d) "Public Enterprises" or "PEs" means the public enterprises of the Borrower's territory including: (i) Commercial and Industrial Enterprises, Etablissements Publics a Caractere Industriel et Commercial (EPIC), established pursuant to Decree - Law No. 1/30, dated October 10, 1978; (ii) Public Corporations Societes de Droit Public (SDP), established pursuant to Decree - Law No. 1/31, dated October 11, 1978; (iii) Mixed Public-Private Ownership Enterprises, Societes d'Economie Mixte, (SEM) established pursuant to Decree - Law No. 1/31, dated October 11, 1978;

(e) "SNES" means the Borrower's statistical service within MPCP;

(f) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31; and

(g) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated September 19, 1986, and November 6, 1986, between the Borrower and the Association.

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 six million Special Drawing Rights (SDR 6,000,000).

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 accounts in its Central Bank in the name of SCEP (Special Account A) and of MPCP (Special Account B) on terms and conditions satisfactory to the Association. Deposits into, and payments out of, Special Accounts A and B shall be

made in accordance with the provisions of Schedule 4 and 5 to this Agreement, respectively.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1992, 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 charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 1997, and ending May 15, 2037. Each installment to and including the installment payable on May 15, 2007, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

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. 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 SCEP, MPCP and MF with due diligence and efficiency and in conformity with appropriate administrative, financing and planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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 3 to this Agreement.

Section 3.03. The Borrower shall: (a) not later than December 15 of each year prepare and furnish to the Association for review and comments SCEP's proposed Annual Work Program and budget for the following year; and (b) introduce such changes in SCEP's proposed Annual Work Program and budget as may be necessary on the basis of said review.

Section 3.04. The Borrower shall: (a) not later than March 31 of each year review with the Association the progress achieved by SCEP in carrying out its Work Program during the previous year; and (b) take all necessary measures to make any adjustment to SCEP's Work Program for the current year based on such review.

Section 3.05. For purposes of financing rehabilitation plans for PE the Borrower shall take all necessary measures for: (a) the creation of an Intervention Fund with responsibilities and funding satisfactory to the Association; and (b) the establishment of a managerial committee for such Fund, with membership and responsibilities satisfactory to the Association.

Section 3.06. The Borrower shall take all necessary measures satisfactory to the Association to ensure that no funds are released from the Intervention Fund to assist in the financing of a rehabilitation plan for a PE unless: (i) prior review of such rehabilitation plan has been carried out by SCEP; and (ii) the financing of such rehabilitation plan has been approved by the managerial committee of the Intervention Fund after consultation with SCEP.

Section 3.07. For purposes of carrying out Parts A.5 and 6 of the Project, the Borrower shall: (a) not later than June 30, 1988, furnish to the Association for review and comments a three-year training plan for SCEP's and PE's staff of a scope defined in agreement with the Association; and (b) based on such review in agreement with the Association make all necessary changes to such plan and promptly carry it out.

Section 3.08. For purposes of carrying out Parts B.1 (c), B.4 (b) and C.2 of the Project, the Borrower shall: (a) not later than July 31 of each year furnish to the Association for review and comments a training plan for MPCP's and MF's staff which scope and detail shall have been defined by the Borrower; and (b) based on such comments, make all necessary changes to such plan and promptly carry it out.

Section 3.09. For purposes of carrying out Part B of the Project the Borrower shall:

(a) not later than February 1, 1988, carry out a review of its public expenditure programming system and prepare an action plan satisfactory to the Association to improve the coordination between the various Ministries of the Borrower in the framework of such system; and

(b) thereafter take all necessary measures satisfactory to the Association for the carrying out of such plan.

Section 3.10. For purposes of carrying out Part B.3 of the Project the Borrower shall:

(a) not later than October 31 of each year furnish to the Association for approval an annual program of sectoral, sub-sectoral, prefeasibility, feasibility and engineering studies to be carried out by the various Ministries of the Borrower during the following year. Such program shall be prepared following the procedures and in accordance with the selection criteria set forth in Schedule 6 of this Agreement; and

(b) notwithstanding the provisions of paragraph (a) above if in the course of a year the Borrower identifies other additional sectoral, sub-sectoral, prefeasibility, feasibility and engineering studies, such studies may be presented to the Association for its approval.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special 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, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit Account or payments out of the Special 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 completion of the audit for the Fiscal Year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

Section 4.02. The Borrower shall cause the Intervention Fund and SCEP to each:

(a) maintain records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) adequate to reflect in accordance with sound accounting practices their operations and financial condition;

(b) have their records and accounts for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(c) furnish to the Association as soon as available but in any case not later than six months after the end of each such year: (i) certified copies of their financial statements for such year as so audited; and (ii) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(d) furnish to the Association such other information concerning such records, accounts, financial statements 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) that Decree No. 100/48/86 dated July 10, 1986, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SCEP to perform any of its obligations under the Project; and

(b) that the Borrower or any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SCEP or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified: the event specified in paragraph (a) 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Intervention Fund referred to in Section 3.05 (a) of this Agreement has been created; and the managerial committee referred to in paragraph (b) of such Section has been established.

Section 6.02. The date hundred twenty (120) 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 at the Presidency responsible for 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:

Ministere a la Presidence
Charge du Plan
B.P. 224
Bujumbura
Republique du Burundi

Cable address:

MINIFIN
Bujumbura

Telex:

5036
MINIPLAN BDI

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.

REPUBLIC OF BURUNDI

By /s/ Edouard Kadigiri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman

Acting 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) Vehicles, equipment and supplies		100% of foreign expenditures and 80% of local expenditures
(a) under Part A of the Project	125,000	
(b) under Parts B.1, B.2, B.4, B.5 and C of the Project	110,000	
(2) Operating Costs for SCEP	365,000	100% in year one, 85% in year two, and 70% in year three
(3) Consultants' services		100%
(a) under Part A of the Project	2,020,000	
(b) under Parts B.1, B.2, B.4, B.5 and C of the Project	740,000	
(4) Fellowships		100% of foreign expenditures
(a) under Part A	270,000	

	of the Project		
(b)	under Parts B.1, B.2, B.4, B.5 and C of the Project	140,000	
(5)	Consultants' services under Part B.3 of the Project	1,585,000	100% of foreign expenditures and 80% of local expenditures
(6)	Refunding of Project Prepara- tion Advance	395,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7)	Unallocated	250,000	
	TOTAL	<u>6,000,000</u>	

2. If the amount allocated to Category (6) above is in excess of the amount due, the excess will be reallocated to Category (7).

3. 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;

(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;

(c) the term "year one" in the column setting forth the percentages of expenditures to be financed out of the Credit for Category (2) means the first year covered by SCEP's Annual Work Program;

(d) the term "year two" in the column setting forth the percentages of expenditures to be financed out of the credit for Category (2) means the second year covered by SCEP's Annual Work Program; and

(e) the term "year three" in the column setting forth the percentages of expenditures to be financed out of the Credit for Category (2) means the third year covered by SCEP's Annual Work Program.

4. 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) improving the management of its Public Enterprise sector; (ii) strengthening the rationalization functions for budgetary choices at the level of MPCP, MF and other Ministries; and (iii) strengthening the public expenditure programming process at MF and MPCP.

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: Public Enterprises

1. Carrying out of studies on the policies followed by the Borrower vis a vis Public Enterprises and definition of criteria for the Borrower's involvement in the Public Enterprise sector.

2. Establishing a system to assess and monitor the performance of the PE Sector.
3. Strengthening the institutional framework for PEs by:
 - (a) the carrying out of a study to define the institutional relationships between the Borrower, the PEs' boards of directors and the Borrower's Ministries having supervisory authority over such PEs;
 - (b) designing a system of performance incentives for their staff; and
 - (c) designing a system of monitorable objectives to assess the performance of the PEs.
4. Carrying out economic evaluations of rehabilitation plans for PEs.
5. Designing a training program for the staff of SCEP and of the PEs.
6. Provision of training in accounting, financing, management and strategic planning to SCEP's and PEs' staff and their management.
7. Provision to SCEP of office equipment and four vehicles.

Part B: Strengthening the Borrower's Planning Capacity

1. Strengthening MPCP by:
 - (a) strengthening project appraisal activities in the Planning Directorate.
 - (b) strengthening the public investment programming process; and
 - (c) providing training in financial and economic methodologies for the evaluation of projects to MPCP's staff.
2. Strengthening the sectoral planning capacity in various Ministries of the Borrower by:
 - (a) strengthening the project preparation and appraisal capacities in the sectoral planning units of the Borrower's Ministries of Agriculture, Education and Health;
 - (b) strengthening the departments responsible for the execution of sectoral studies in some of the Borrower's Ministries;
 - (c) designing an inter-sectoral review process for investment decisions.
3. Preparing, selecting and carrying out sectoral, sub-sectoral, prefeasibility, feasibility and engineering studies.
4. Strengthening SNES by:
 - (a) designing a system of data base collection for economic planning; and
 - (b) providing training in collection and analysis of economic and social data to SNES's staff.
5. Provision of office equipment to SNES and MPCP and of two vehicles to MPCP and two to SNES.

Part C: Strengthening MF

1. Designing and implementing a unified public expenditure program.
2. Provision of training in public expenditure planning to MF's staff.

* * *

The Project is expected to be completed by June 30, 1992.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded 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).

2. To the extent practicable contracts for equipment and vehicles shall be grouped in bid packages estimated to cost the equivalent of \$40,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Burundi may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for equipment and vehicles estimated to cost the equivalent of \$40,000 or less each may be awarded on the basis of:

(a) competitive bidding, in accordance with the applicable procedures of the Borrower; and

(b) comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with the procedures referred to in paragraph 3.4 of the Guidelines.

2. Such equipment and vehicles may also be purchased through regular commercial and other local channels at a reasonable price account being taken of relevant factors such as the availability of spare parts and time of delivery.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$40,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of any of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of any of the Special Accounts in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of any of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedules 4 and 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) 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. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants 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.

SCHEDULE 4

Special Account A

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (a), 2, 3 (a) and 4 (a) 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 Part A of 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 SDR 160,000 to be withdrawn from the Credit Account and deposited in Special Account A pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of Special Account A 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 Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account A 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 Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in Special Account A such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account A at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account A such amounts as shall be required to replenish Special Account A with amounts not exceeding the amount of payments made out of Special Account A 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 the evidence furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of Special Account A the Borrower shall furnish to the Association, prior to or with any request, for replenishment or upon request of the Association 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 Special Account A shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for Part A of the Project, 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 Part A of the Project, 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 allocated to the eligible Categories for Part A of the Project 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 Special Account A 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 Special Account A: (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 Special Account A (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 Special Account A 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 Special Account A 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.

SCHEDULE 5

Special Account B

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (b), 3 (b), 4 (b) and (5) 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 Parts B and C of 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 SDR 320,000 to be withdrawn from the Credit Account and deposited in Special Account B pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of Special Account B 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 Special Account B has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account B 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 Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in Special Account B such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account B at such intervals or in such minimum amounts as the Association

shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account B such amounts as shall be required to replenish Special Account B with amounts not exceeding the amount of payments made out of Special Account B 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 the evidence furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of Special Account B the Borrower shall furnish to the Association, prior to or with any request for replenishment or upon request of the Association 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 Special Account B shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories for Parts B and C of the Project, 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 Parts B and C of the Project, 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 allocated to the eligible Categories for Parts B and C of the Project 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 Special Account B 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 Special Account B: (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 Special Account B (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 Special Account B 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 Special Account B 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.

SCHEDULE 6

Program of Studies

MPCP coordinates the preparation of an annual program of sectoral, sub-sectoral, prefeasibility, feasibility, engineering and other preinvestment studies and monitors the carrying out of such studies. Such studies are selected following the procedures and in accordance with the criteria set forth below:

A. Procedures for the selection of studies to be included in the annual program:

1. The various Ministries of the Borrower will prepare study proposals classified

in an intrasectoral priority order for review.

2. Such studies are proposed and reviewed in the framework of an interministerial coordination process.

3. Thereafter MPCP selects the studies to be included in the annual program of studies to be furnished to the Association for its approval pursuant to the provisions of Section 3.10 of this Agreement.

B. Selection Criteria for the studies to be included in the annual program:

1. To be included in such program, any sectoral, sub-sectoral, prefeasibility, feasibility and engineering study shall meet the following criteria:

(a) be necessary for the preparation and execution of the Borrower's Economic Development Plan 1988-1992; and

(b) unless the Association shall otherwise agree, the cost of each study as financed under Category (5) of Schedule 1 to this Agreement shall not exceed \$250,000 in 1987 prices.

2. In addition, depending on its classification any such study shall have to meet either of the following criteria:

(a) Feasibility studies:

Such studies shall be intended for investment projects included in the Borrower's public investment program for which a source of financing has been identified.

(b) Engineering studies:

Such studies shall be intended for investment projects which soundness has been demonstrated by a feasibility study.

