

CONFORMED COPY

CREDIT NUMBER 2730 MAU

Development Credit Agreement

(Private Sector Development and Capacity Building Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 1995

CREDIT NUMBER 2730 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 22, 1995, between ISLAMIC REPUBLIC OF MAURITANIA (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 two letters from the Borrower, dated April 30, 1995, describing a program of actions, objectives and policies designed to improve the Borrower's financial and private sectors and the Borrower's fishing sector, respectively, (the Program) and declaring the Borrower's commitment to the execution of the Program; and

(C) 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ouguiya(s)" and "UM" mean the currency of the Borrower;

(b) "PCU" means the project coordination unit within the MP to be maintained until the completion of the execution of the Project to coordinate Project implementation in the manner referred to in paragraph 1 of Schedule 4 to this Agreement;

(c) "BCM" means the Central Bank of the Borrower;

(d) "SME" means small and medium enterprises operating within the territory of the Borrower;

(e) "JO" means Journal Officiel, the official legal gazette of the Borrower;

(f) "MP" means the Ministere du Plan of the Borrower;

(g) "MF" means the Ministere des Finances of the Borrower;

(h) "MC" means the Ministere du Commerce, de l'Artisanat et du Tourisme of the Borrower;

(i) "MJ" means the Ministere de la Justice of the Borrower;

(j) "MMI" means the Ministere des Mines et de l'Industrie of the Borrower;

(k) "MPEM" means the Ministere des Peches et de l'Economie Maritime of the Borrower;

(l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a July 9, 1993 letter by the Association, confirmed on August 3, 1993 by the Borrower;

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

(n) "Project Director" means the head of PCU appointed in

accordance with the provisions of Section 6.01 (a) of this Agreement; and

(o) "CNROP" means the Centre National de Recherche Oceanographique et de Peche of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to four million seven hundred thousand Special Drawing Rights (SDR 4,700,000).

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 ouguiyas a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 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 February 15 and August 15 commencing August 15, 2005 and ending February 15, 2035. Each installment to and including the installment payable on February 15, 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 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 with due diligence and efficiency and in conformity with appropriate geological, pelagic, administrative, financial, accounting and legal professional practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of the Project:

(a) open and maintain in ouguiyas in the name of the Project an account (the Project Account) in a commercial bank acceptable to the Association on terms and conditions

satisfactory to the Association;

(b) deposit into the Project Account an initial amount equivalent to \$50,000;

(c) thereafter, deposit into the Project Account not later than March 31, June 30, September 30 and December 31 in each year during the implementation of the Project, the amount necessary to replenish the Project Account to the amount of \$50,000 equivalent or such greater amount as may be required for the purposes of the Project; and

(d) ensure that amounts deposited into the Project Account pursuant to paragraphs (b) and (c) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project not financed or to be financed out of the proceeds of the Credit.

Section 3.03. Except as the Borrower and 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, designed to preserve the achievements of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that: (A) such records and accounts are audited semi-annually according to the procedures referred to in paragraph (b) of this Section; (B) a certified copy of the auditor's report be submitted to the Association within six (6) months after the end of such semiannual audit report; and (C) the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such auditing period, together with the procedures and internal controls involved in their preparation, may 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 event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

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

(a) the Project Director referred to in paragraph 2 (a) of Schedule 4 to this Agreement has been appointed in accordance with the provisions of said paragraph;

(b) the independent auditor referred to in Section 4.01 (b) of this Agreement, acceptable to the Association, has been appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower has opened the Project Account referred to in Section 3.02 (a) of this Agreement and deposited therein an initial amount equivalent to \$50,000; and

(d) an accounting system, satisfactory to the Association, has been established and an accountant with qualifications and experience satisfactory to the Association has been recruited.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere du Plan
BP 238
Nouakchott
Mauritania

Cable address:

MINIPLAN
Nouakchott

Telex:

5540 MTN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Ismail Ould Iyahi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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) Goods and vehicles	500,000	100% of foreign expenditures and 90% of local expenditures
(2) Consulting services	2,000,000	100%
(3) Training	1,000,000	100%
(4) Operating costs	800,000	90% until December 31, 1997 and 70% thereafter
(5) Refunding of Project Preparation Advance	300,000	Amounts due pur- suant to Section 2.02 (b) of this Agreement
(6) Unallocated	100,000	
TOTAL	4,700,000	

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;

(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; and

(c) the term "Operating Costs" means recurring costs required for the Project in respect of the following:

- (i) per diem and overnight allowances for contractual staff;
- (ii) operating vehicles, premises and equipment;
- (iii) maintenance of vehicles, premises, equipment, and office facilities; and
- (iv) office administration and communication.

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 made for: (a) goods, vehicles, training and operating costs under contracts not exceeding \$150,000 equivalent; (b) for consulting firms under contracts not exceeding \$100,000 equivalent; and (c) for individual

consultants' services 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 objectives of the Project are to elaborate and implement policy and regulatory reforms in the Borrower's financial, legal, mining and fisheries sectors to promote private sector development.

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: Financial Sector

1. Upgrading of information databases related to credit risks through the strengthening of: (a) a system of centralized commercial-bank credit information (Centrale des Risques); and (b) a regularly updated database on commercial-bank borrower arrears (Centrale des Impayes).

2. Provision of training through the center for banking training, including: (a) professional training for commercial bank employees; and (b) a diploma course for the specialized training of bank personnel.

3. Formulation of a strategy for the second phase of the development of the Borrower's financial sector through: (a) the preparation of a strategy paper aimed at implementing the second phase of the Borrower's financial sector development program; and (b) the production of promotional material for new financial institutions and instruments, as necessary.

Part B: Private Sector Institutional and Regulatory Framework

1. Upgrading of the Borrower's accounting and auditing framework to improve quality and effectiveness of monitoring of financial accounts and the reporting thereon through:

(a) Carrying out a study to examine ways to reorganize the accounting profession and development of recommendations for modifying rules and standards of the practice of accounting and auditing in the territory of the Borrower.

(b) Revision of the Borrower's Code and Plan Comptable to bring them in line with current international standards.

(c) Carrying out of a training program to enable accounting technicians and auditors with basic qualifications to upgrade their skills.

2. Support to the Chamber of Commerce through:

(a) reorganization and strengthening of the Borrower's Chamber of Commerce to become an autonomous organization, capable of representing and supporting the interests of the private sector, particularly SMEs; and

(b) training of Chamber of Commerce personnel.

3. Judicial and Legal Reform through:

(a) review of existing, and drafting of, new regulations, in French and Arabic, pertaining to: (i) commercial code, civil code, and company law; and (ii) investment code, commercial and civil procedural law, and judicial organization, including the status of the auxiliaires de justice and court experts;

(b) strengthening systems for enterprise legislation (registre de commerce) and for the registration of liens and other debt collaterals;

(c) training of judges and the auxiliaires de justice in the areas of the law referred to under paragraph (a) above;

(d) strengthening of the JO and editing of a gazette for a regular publication of sentences rendered by courts and tribunals of the Borrower; and

(e) establishment of a computerized database of the laws of the Borrower.

4. Feasibility Study of a Tax Free Regime for Exporters

Carrying out a feasibility study for a tax-free regime for exporters and development of a scheme for its implementation.

5. Mining Sector

Strengthening of the mining sector framework through:

(a) formulation of a strategy paper for the development of the mining sector;

(b) revision of the Mining Code (including mining taxation);

(c) reorganization of the Direction des Mines and training of its staff; and

(d) carrying out of a study with a view to establishing a mining cadastre.

6. Fisheries Sector

(a) Assessment of the fisheries sector's resource base through an analysis of the quantity and quality of fisheries yields, including the collection of statistics pertaining to species by weight and market price, quantities of fish exported by country of destination, and importing enterprises;

(b) carrying out a study to develop a system to monitor foreign exchange flows in and out of the fisheries sector on a regular basis; and

(c) provision of technical assistance to CNROP inter alia in the fields of ecological management and quality control of fish exports.

* * *

The Project is expected to be completed by June 30, 1999.

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 I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 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, namely, that goods shall be grouped into packages estimated to cost the equivalent of \$150,000.

Part C: 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 Borrower.

Part D: Other Procurement Procedures

National Competitive Bidding

Goods estimated to cost \$150,000 equivalent or less per contract and \$400,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Part E: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall empower the PCU within MP to coordinate the implementation of: (i) Part A of the Project through BCM; (ii) Part B.1 of the Project through MF; (iii) Part B.2 of the Project through MC; (iv) Part B.3 of the Project through MJ, the Secretariat General du Gouvernement and MP; (v) Part B.4 and B.5 of the Project through MMI; and (vi) Part B.6 through MPEM.

2. (a) The PCU shall be headed by a Project Director whose qualifications and experience shall be satisfactory to the Association; and

(b) the Borrower shall maintain the PCU with suitably qualified and experienced staff in adequate numbers, throughout the duration of the Project.

3. The Borrower, through its appropriate ministries and the PCU, shall:

(a) undertake the studies referred to in Parts B.1, B.4, and B.6 of the Project with due and professional diligence; furnish a copy of each study to the Association within three months of each respective studies completion; consult with the Association on the findings of such studies and carry out their recommendations with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon;

(b) undertake all action necessary to disseminate the conclusions of the studies carried out under the Project to the public, including through appropriate workshops and conferences held periodically for interested parties and the printing and distribution of short publications made available to the public free of charge; and

(c) take all necessary action to: (i) meet the monitoring indicators for Project performance; and (ii) comply with the Implementation Plan.

2. (a) The Borrower and the Association shall jointly undertake, not later than June 30 of each year until completion of the Project, an in-depth review of Project implementation (hereinafter referred to as the annual review or, in the case of the review to be held not later than July 31, 1997, the mid-term review), during which they shall exchange views on all matters related to the progress of the Project, the Program and the performance by the Borrower of its obligations under this Agreement, including, but not limited to: (i) status of monitoring indicators for Project performance; (ii) progress in implementation of policy measures and their impact on SMEs, the accounting profession and the mining sector; (iii) progress in all studies undertaken; (iv) the progress reports and expenditure statements of the current year referred to under sub-paragraph (d) of this paragraph; and (v) the Project work program and budget (including counterpart funding) for the following year.

(b) Not later than two months prior to the mid-term review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project and the Program, and giving details, in particular, on the matters to be addressed at the mid-term review and referred to in sub-paragraph (a) of this paragraph, including proposals, if any, to improve the effectiveness of Project implementation.

(c) Following the mid-term review, the Borrower

undertakes to promptly and diligently take any corrective action deemed necessary to remedy any shortcomings noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project and the Program.

(d) Without limitation to Section 9.06 of the General Conditions and to the preceding sub-paragraphs (a), (b) and (c) of this paragraph, the Borrower shall, throughout the period of implementation of the Project, furnish to the Association for its review and comments, not later than October 31 until completion of the Project, annual reports on the progress and implementation of the Project, including: (i) status of Project implementation indicators; (ii) summary of implementation progress of each Project component enumerated in Schedule 2 to this Agreement; (iii) financial statements of Project expenditures; (iv) updated procurement and implementation schedules; and (v) status of contract advertising, bidding awards and completion dates.

3. By no later than September 30, 1995, the Borrower, through PCU, shall prepare a shortlist of consultants for: (a) the design and carrying out of the training programs under Parts A.2, B.1, B.2, B.3, and B.4 of the Project; and (b) promptly thereafter, shall engage consultants for these purposes under contracts awarded in accordance with paragraph 1 of Section II of Schedule 3 of this Agreement.

4. By no later than December 31, 1995 the Borrower shall adopt new bylaws acceptable to the Association to transform the Chamber of Commerce into an autonomous agency, with full authority and mandate to represent the private sector, in a manner satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the Authorized Allocation, the

Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining

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

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

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

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

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

