

CONFORMED COPY

CREDIT NUMBER 1912 CD

Development Credit Agreement

(National Livestock Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 1988

CREDIT NUMBER 1912 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 5, 1988, between REPUBLIC OF CHAD (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 of Intent from the Borrower dated January 14, 1988 describing a development program for the livestock sub-sector;

(C) the Borrower intends to contract from the African Development Fund (ADF) a credit (the ADF Credit) in an amount equivalent to \$11,600,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the ADF Credit Agreement) to be entered into between the Borrower and ADF;

(D) the Borrower intends to contract from the Fonds d'Aide et de Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to \$1,300,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC;

(E) the Borrower intends to contract from the Directorate General for International Cooperation (DGIS) a grant (the DGIS Grant) in an amount equivalent to \$1,800,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DGIS Grant Agreement) to be entered into between the Borrower and DGIS; 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 and the following additional terms have the following meanings:

- (a) "BEAC" means Banque des Etats de l'Afrique Centrale;
- (b) "CFAF" means the currency of the Borrower;
- (c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (d) "ENATE" means Ecole Nationale des Techniciens de l'Elevage of the Borrower;
- (e) "MAGAVET" means the Magasin General d'Approvisionnement en Produits et Matériels Veterinaires of the Borrower;
- (f) "MEHP" means the Ministerre de l'Elevage et de l'Hydraulique Pastorale of the Borrower; and
- (g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 13, 1987 and December 16, 1987 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 thirteen million two hundred thousand Special Drawing Rights (SDR 13,200,000).

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 CFAF a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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, 1995 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 March 15 and September 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 March 15 and September 15 commencing September 15, 1998 and ending March 15, 2028. Each installment to and including the installment payable on March 15, 2008 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 MEHP with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural 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.

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) open and thereafter maintain an account in the name of MEHP in BEAC or in a commercial bank satisfactory to the Association and deposit therein promptly after collection the revenues arising from MEHP's charges for livestock related services; and

(b) exclusively use the funds deposited in said account to cover MEHP's non-salary expenditures.

Section 3.04. The Borrower shall, not later than July 31, 1988, take all necessary actions to cause MAGAVET to reorganize its operations and management in order to reduce its costs and to sell all veterinary products at a competitive price taking into consideration their real cost.

Section 3.05. The Borrower shall:

(a) in consultation with the Association, prepare a pastoral land use policy satisfactory to the Association for long-term resource conservation, including, inter alia, the transfer of exclusive use of water points and range lands to pastoral associations; and

(b) not later than December 31, 1990, take all necessary actions to ensure the application of said policy.

Section 3.06. The Borrower shall take all necessary action to:

(a) permit MEHP's livestock agents to provide animal health care privately including, the possibility of taking up to two years of leave without pay; and

(b) maintain, during the first five years of the Project, the number of MEHP's staff at the level of January 1, 1988.

Section 3.07. The Borrower shall:

(a) set, before January 1, 1991, eligibility criteria, satisfactory to the Association, for the selection of companies which will import veterinary products; and

(b) take before January 1, 1991, or such later date as the Association shall establish after consultation with the Borrower, all necessary actions to abolish MAGAVET's import monopoly.

Section 3.08. The Borrower shall:

(a) establish a pastoral organization unit within MEHP to provide technical and organizational assistance in the establishment of the Pastoral Organizations referred to under Part A of the Project; and

(b) employ a livestock specialist to head said unit with qualification and experience satisfactory to the Association.

Section 3.09. In order to ensure the overall coordination of the execution of the Project, the Borrower shall recruit a Project Coordinator to assist the Director General of MEHP, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 3.10. The Borrower shall:

(a) establish a committee chaired by the Director General of MEHP, composed of the Project Coordinator referred to under Section 3.09 of this Agreement, and representatives of the Ministry of Planning and Cooperation, the Ministry of Finance and Computerization, the Ministry in charge of General Inspection and State Control and the Secretary General of the Presidency, to supervise the credit fund referred to under Part B (3) of the Project; and

(b) relend the proceeds of the Credit allocated from time to time to Category (6) of the table in paragraph 1 of Schedule 1 to a commercial bank under a Subsidiary Loan Agreement to be entered into between the Borrower and said commercial bank, under terms and conditions which shall have been approved by the Association which shall include:

(i) in the case of credits for initial installation of veterinarians and livestock technicians, an annual interest rate based on BEAC's preferential discount rate plus a maximum of five percentage points for fees and expenses and a repayment period of up to ten years including a grace period of 3 years; and

(ii) in the case of credits for operating costs of veterinarians and livestock technicians, and of exporters of meat and meat by-products, an interest rate based on BEAC's regular discount rate plus a maximum of five point five percentage points for fees and expenses and a repayment period of up to one year for veterinarians and livestock technicians, and of up to six months for exporters of meat and meat by-products.

Section 3.11. The Borrower shall employ, at all times during the execution of the Project, personnel with qualifications and experience satisfactory to the Association to fill the positions of National Director of the Project, Director of MAGAVET and Chief of the pastoral organization unit.

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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association 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, through MEHP, annually adjust the charges applicable to non-compulsory vaccinations and clinical interventions, so as to cover the full costs of these interventions on the basis of cost calculations prepared by MEHP's Projects Monitoring and Evaluation Unit.

Section 4.03. The Borrower shall maintain its budgetary allocation to MEHP's operating expenditures at least at the level of CFAF 40 million per year.

Section 4.04. The Borrower shall introduce, effective May 31, 1990, or such later date as the Association shall establish after consultation with the Borrower, a mechanism for the recovery of recurrent costs of compulsory vaccinations satisfactory to the Association.

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:

- (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
 - (B) any such loan shall have become due and payable prior to the 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: the event specified in subparagraph (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section.

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 Coordinator referred to under Section 3.09 of this Agreement has been recruited in accordance with the provision of Section II of Schedule 3 to this Agreement;

(b) all conditions precedent to the effectiveness of the ADF Credit Agreement, except for the effectiveness of this Agreement, have been fulfilled;

(c) FAC's agreement for the financing of technical assistance under Parts D (2) and E (2) of the Project has been obtained; and

(d) MAGAVET's Statuts have been revised and are satisfactory to the Association.

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 Planning and Cooperation 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:

Ministry of Planning and Cooperation
B.P. 286
N'Djamena
Republic of Chad

Cable address:

MINPLAN
N'Djamena

Telex:

5329 KD

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 CHAD

By /s/ Mahamat Ali Adoum

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	70,000	100%
(2) Vehicles and Equipment	1,410,000	100%
(3) (a) Technical assistance	1,900,000	100%
(b) Training	1,100,000	
(c) Studies	400,000	
(4) Veterinary Drugs	1,620,000	100%
(5) Operating Costs	3,500,000	100% up to an aggregate amount equivalent to SDR 1,400,000; 90% up to an aggregate amount equivalent to SDR 1,100,000; 80% up to an aggregate amount equivalent to SDR 1,000,000.
(6) Goods and services for Part B (3) of the Project	1,270,000	100%
(7) Refunding of Project Prepara-	500,000	Amount due pur- suant to Section

tion Advance		2.02 (c) of this Agreement
(8) Unallocated	1,430,000	
TOTAL	13,200,000	

2. For the purposes of this Schedule the term operating costs means the Project's incremental costs for transport, field allowances, supplies and extension material.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) payment made for expenditures prior to the date of this Agreement; and
- (b) payments made for expenditures under Category (6) unless the Subsidiary Loan Agreement referred to under Section 3.10 (b) has been entered into between the Borrower and a commercial bank, satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase the Borrower's national livestock production and revenues and the producers' income on a sustainable basis.

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: Pastoral Associations

1. Establishment of cooperative herders' associations to contribute to livestock sanitary protection through the training of selected associations' members in the use of drugs and the management of veterinary pharmacies, and in the management of water points and adjacent range lands.
2. Establishment of a Pastoral Organization Unit within MEHP, training of Chadian personnel in animal production, range management and pastoral sociology, acquisition of necessary vehicles and equipment, and rehabilitation of about 100 water points.

Part B: Input Distribution and Private Animal Health Services

1. Strengthening of MAGAVET through the increase of its stock of veterinary supplies and other livestock inputs, the extension of its distribution network through the acquisition of vehicles, the rehabilitation or construction of provincial distribution centers, and the strengthening of its management through the provision of technical assistance.
2. Training by MAGAVET, in cooperation with ENATE, of private traders involved in the sale of non-prescription drugs, and of livestock technicians involved in the use of prescription and non-prescription drugs.
3. Establishment of a credit fund in a commercial bank to finance: (a) investments and initial operating costs of veterinarians and livestock technicians who establish private veterinary practice and drug sale businesses; and
 - (b) credit needs of veterinarians and livestock technicians, and of exporters of meat and meat by-products acceptable to MEHP.

Part C: Research

1. Implementation of research programs at the Farcha Laboratory to define technically and socioeconomically acceptable techniques for rangeland conservation and management, and for crop/livestock integration within pastoral associations. Improvement of available information on feed resources and their use.

2. Training of local scientists in epizootiology and range ecology. Equipping of the Farcha Laboratory in micro-computers, vehicles and research equipment. Acquisition of satellite data for grazing areas and analysis thereof, and provision of technical assistance.

Part D: MEHP Field Services

1. Strengthening of MEHP's field services in sanitary control and vaccination campaigns, and in extension through the introduction of improved management principles, the construction or rehabilitation of about 60 field offices equipped with cold chains, and the acquisition of supplies, extension material, office furnishings, one vehicle per district and sector, and about 2 motorcycles per field office.

2. Annual training of MEHP's field staff through training programs at ENATE, acquisition of a bus and equipment thereof, and overseas training for the teaching staff.

Part E: MEHP Central Facilities

1. Strengthening of MEHP's Projects Monitoring and Evaluation Unit to improve livestock policy formulation and projects coordination through the acquisition of equipment and vehicles, and the provision of technical assistance.

2. Strengthening of MEHP's Water Bureau to plan and coordinate rural water programs and to develop a resource planning system through the acquisition of vehicles and equipment, the construction of additional office space and the provision of technical assistance.

3. Strengthening of MEHP's Directorate of Administration and Finance to improve projects management.

4. Construction of office space to assist MEHP's services in the execution of the Project.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Chad 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. Civil works, and vehicles, equipment and drugs estimated to cost between \$50,000 and \$150,000 equivalent may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, may be procured under contracts awarded on the basis of comparison of

price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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 for civil works and goods estimated to cost the equivalent of \$100,000 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 the Special Account, 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 the Special Account 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 the Special Account, 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 Schedule 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 a project coordinator, a pastoral organization specialist, a livestock economist, a financial controller, and other 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

Implementation Program

The Project will be carried out through MEHP under the joint responsibility of:

(i) the State Secretary for Livestock for annual and long-term planification, preparation of the corresponding budget, and evaluation; and

(ii) MEHP's General Director, acting in its capacity of National Director of the Project, assisted by the Project Coordinator, for all decisions concerning the implementation of said planification and the corresponding budget.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 to 6 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 of CFAF 150,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

(i) the Association shall have determined that all further withdrawals 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, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of 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 shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out

of the Special Account:

(i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or

(ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, re fund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such de posit or refund.

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

