

CONFORMED COPY

CREDIT NUMBER 3951 BEN

Development Credit Agreement

(Energy Services Delivery Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 28, 2004

CREDIT NUMBER 3951 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 28, 2004, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated June 3, 2004, describing a program of actions and objectives designed to improve the Borrower's delivery of electricity services (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Association support the Borrower's execution of the Program through a series of credits over a period of approximately eight years to be utilized by the Borrower in the implementation of the Program;

(C) Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project will be carried out by *Communauté Electrique du Bénin* (CEB, as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to CEB, as set forth in this Agreement;

(D) Parts B (d) and C.2 (b) of the Project will be carried out by *Société Béninoise d'Énergie Electrique* (SBEE, as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit available to SBEE, as set forth in this Agreement;

(E) CEB has secured financing by issuing bonds on the West Africa financial market in an aggregate amount of sixteen billion CFA Francs (CFAF16,000,000,000) (the CEB Financing) to finance Parts C.1 (a), C.1 (c) and D.2 of the Project;

(F) the Borrower intends to contract from the Nordic Development Fund (NDF) a loan in an amount of twelve million Euros (€12,000,000) (the NDF Loan) to assist in financing Part C.1 (e) of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and NDF (the NDF Loan Agreement);

(G) CEB intends to contract from *Banque Ouest Africaine de Développement* (BOAD) a loan in an amount of four billion five hundred million CFA Francs (CFAF 4,500,000,000) (the BOAD Loan) to assist in financing Part C.1 (d) of the Project on the terms and conditions set forth in an agreement to be entered into between CEB and BOAD (the BOAD Loan Agreement); 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, and in the agreements of even date herewith between the Association and CEB (the CEB Project Agreement), and between the Association and SBEE (the SBEE Project Agreement), respectively;

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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) the text in Section 5.01 of the General Conditions which reads "(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories: or (b)" is deleted in its entirety; and

(b) paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

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) "Borrower's Project Account" means the account referred to in Section 3.05 of this Agreement;

(b) "CAA" means *Caisse Autonome d'Amortissement*, a public enterprise established pursuant to the Borrower's *Ordonnance* No. 28/PR/MFPAE dated November 12, 1966, and operating pursuant to the Borrower's Decree No. 98-63 dated February 16, 1998;

(c) "CEB" means *Communauté Electrique du Bénin*, an international public enterprise established and operating pursuant to the *Accord Relatif à l'Institution d'un*

Code Dahomais de l'Electricité et à la Création d'une Communauté Electrique du Bénin, between the Borrower and the Togolese Republic, dated July 27, 1968, (the CEB Treaty);

(d) "CEB Project Account" means the account referred to in Section 2.06 of the CEB Project Agreement;

(e) "CEB Project Agreement" means the agreement between the Association and CEB of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the CEB Project Agreement;

(f) "CEB Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and CEB pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the CEB Subsidiary Loan Agreement;

(g) "CFA Francs" or "CFAF" means the currency of the Borrower;

(h) "DFRN" means *Direction des Forêts et des Ressources Naturelles*, the Forest and Natural Resource Department at MAHF (as hereinafter defined) ;

(i) "DGE" means *Direction Générale de l'Energie*, the General Energy Department at MMEH (as hereinafter defined);

(j) "EA" means the Environmental Assessment dated November 2003 satisfactory to the Association, carried out by the Borrower and the Togolese Republic for the implementation of Part C.1 of the Project;

(k) "EMP" means the Environmental Management Plan dated November 2003 satisfactory to the Association, carried out by the Borrower and the Togolese Republic for the implementation of Part C.1 of the Project, which defines mitigation measures to be carried out under Part C.1 of the Project, including the modalities for land acquisition, resettlement and rehabilitation of displaced persons;

(l) "Euro" or "€" means the lawful common currency of member states of the European Union who adopt the single currency in accordance with the Treaty establishing the European Currency, as amended to date by the Treaty on European Union;

(m) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(n) "MAHF" means the Borrower's Ministry of Agriculture, Husbandry and Fisheries;

(o) “MMEH” means the Borrower’s Ministry of Mining, Energy and Hydraulics;

(p) “National Household Energy Commission” means the inter-ministerial national commission to be established under Part F.1 of the Project to oversee the Borrower’s household and biomass energy sector;

(q) “Natural Resource Management Inter-Communal Agency” means the inter-communal agency to be established under Part F.1 of the Project to provide technical support to the Borrower’s local governments (*communes*) on natural resource management issues;

(r) “PCU” means the Project Coordination Unit at DGE, established and operating pursuant to the Borrower’s *Arrêté* No. 46/MMEH/DC/SG/CTRNE/CTJ/DA/DGE/SA dated June 3, 2004 (the PCU *Arrêté*);

(s) “PIM” means the Project Implementation Manual which outlines, inter alia, the operational, institutional, financial, procurement, accounting and disbursement arrangements for the implementation of Parts A, B, C.1 (b), C.1 (d), C.1 (e), C.1 (f), C.2, D, E and F of the Project, as well as the implementation sequencing of the entire Project, referred to in paragraph C.2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (i) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the PIM;

(t) “Procurement Plan” means the Borrower’s procurement plan, dated May 7, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(u) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on January 29, 2003 and on behalf of the Borrower on February 12, 2003;

(v) “Project Semester” means the six month period beginning from the Effective Date and ending six months thereafter (the First Project Semester) and any six month period beginning at the end of the First Project Semester, or at the end of any subsequent Project Semester;

(w) “SBEE” means *Société Béninoise d’Energie Electrique*, a public enterprise established pursuant to the Borrower’s *Ordonnance* No. 73-13 of February 7, 1973 (the SBEE *Ordonnance*), and operating under its statutes approved by the Borrower’s Decree No. 2004-098 of March 1, 2004 (the SBEE Statutes);

(x) "SBEE Project Account" means the account referred to in Section 2.06 of the SBEE Project Agreement;

(y) "SBEE Project Agreement" means the agreement between the Association and SBEE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SBEE Project Agreement;

(z) "SBEE Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SBEE pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SBEE Subsidiary Loan Agreement; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty one million one hundred thousand Special Drawing Rights (SDR 31,100,000).

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, works and services required for the Project 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 CFA Francs a special 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2014 and ending April 1, 2044. Each installment to and including the installment payable on April 1, 2024 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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:

- (i) shall carry out Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project through DGE with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the Project;

- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause CEB to carry out Parts B (b), B (e), C.1, D.1, D.2, E.2 and E.4 of the Project and to perform in accordance with the provisions of the CEB Project Agreement all the obligations of CEB therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CEB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and
- (iii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause SBEE to carry out Parts B (d) and C.2 (b) of the Project and to perform in accordance with the provisions of the SBEE Project Agreement all the obligations of SBEE therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SBEE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project in accordance with paragraphs C and D of the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend part of the proceeds of the Credit to CEB and SBEE under subsidiary loan agreements to be entered into between the Borrower and CEB and between the Borrower and SBEE, respectively, under terms and conditions which shall have been approved by the Association, including, but without being limited to, the provisions set forth in paragraphs A and B, respectively, of Schedule 4 to this Agreement.

(d) The Borrower shall exercise its rights under the CEB Subsidiary Loan Agreement and the SBEE Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the CEB Subsidiary Loan Agreement nor the SBEE Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare jointly with CEB and SBEE, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower, CEB and SBEE on said plan.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts B (b), B (e), C.1 (b), C.1 (f), D.1, D.2, E.2 and E.4 of the Project and in respect of Parts B (d) and C.2 (b) of the Project shall be carried out by CEB pursuant to Section 2.03 of the CEB Project Agreement, and by SBEE pursuant to Section 2.03 of the SBEE Project Agreement, respectively.

Section 3.05. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project:

(a) open and thereafter maintain, until the completion of Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project, an account in CFA Francs (the Borrower's Project Account) in the Treasury on terms and conditions satisfactory to the Association;

(b) deposit into the Borrower's Project Account an initial contribution of CFA Francs 150,000,000;

(c) thereafter deposit in the Borrower's Project Account, at the end of each Project Semester, until the completion of Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and

F of the Project, such amounts as shall be required to timely replenish the Borrower's Project Account back to the amount of the initial deposit referred to in paragraph (b) above, or whenever the balance of the Borrower's Project Account shall be less than CFA Francs 60,000,000; and

(d) ensure that amounts deposited into the Borrower's Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project in addition of those financed from the proceeds of the Credit.

Section 3.06. The Borrower shall ensure that its arrears due to SBEE for electricity consumption as well as all cross debts between SBEE, CEB and CAA as of December 31, 2003, shall be fully settled by September 30, 2004, through cash payments and/or through offsetting the arrears against SBEE and CEB own indebtedness to CAA.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements and records and accounts, and concerning said auditors, as the Association may 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) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs D.1 (b) and D.2 (b) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association

not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, namely, that:

(a) CEB shall have failed to perform any of its obligations under the CEB Project Agreement.

(b) SBEE shall have failed to perform any of its obligations under the SBEE Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that CEB will be able to perform its obligations under the CEB Project Agreement.

(d) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SBEE will be able to perform its obligations under the SBEE Project Agreement.

(e) A situation shall have arisen which shall make it impossible that the Program or a significant part thereof, will be carried out.

(f) The CEB Treaty shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CEB to perform any of its obligations under the CEB Project Agreement.

(g) The SBEE Ordonnance or the SBEE Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SBEE to perform any of its obligations under the SBEE Project Agreement.

(h) The PCU Arrêté shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of the Project.

(i) The NDF Loan Agreement shall have failed to become effective within one year of the Effective Date, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

- (j) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the NDF Loan Agreement; or
 - (B) the NDF Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds 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.
- (k) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of CEB to withdraw the proceeds of any loan made to CEB for the financing of Part C.1 (d) of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the BOAD Loan Agreement; or
 - (B) the BOAD Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the CEB establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of CEB to perform any of its obligations under such agreement; and (B) adequate funds for Part C.1 (d) of the Project are available to CEB from other sources on terms and conditions consistent with the obligations of CEB under the CEB Project Agreement and the CEB Subsidiary Loan Agreement.
- (l) (i) Subject to subparagraph (ii) of this paragraph, the CEB Financing is no longer available.
- (ii) Subparagraph (i) of this paragraph shall not apply if CEB establishes to the satisfaction of the Association that adequate

funds for Parts C.1 (a), C.1 (c) and D.2 of the Project are available to CEB from other sources on terms and conditions consistent with the obligations of CEB under the CEB Project Agreement and the CEB Subsidiary Loan Agreement with respect to Part D.2 of the Project, and on terms and conditions satisfactory to the Association with respect to Parts C.1 (a) and C.1 (c) of the Project.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraphs (a), (b), (c), (d) and (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Association to the Borrower;

(b) any events specified in paragraphs (f), (g) and (h) of Section 5.01 of this Agreement shall occur;

(c) the event specified in paragraph (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (i) of that Section;

(d) the event specified in paragraph (j) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (j) (ii) of that Section;

(e) the event specified in paragraph (k) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (k) (ii) of that Section; and

(f) the event specified in paragraph (l) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (l) (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 CEB Subsidiary Loan Agreement and the SBEE Subsidiary Loan Agreement have been executed on behalf of the Borrower and CEB and SBEE, respectively;

(b) the Borrower's Project Account has been opened and the initial contribution referred to in Section 3.05 (b) of this Agreement has been deposited therein;

(c) the CEB Project Account has been opened and the initial contribution referred to in Section 2.06 (b) of the CEB Project Agreement has been deposited therein;

(d) the SBEE Project Account has been opened and the initial contribution referred to in Section 2.06 (b) of the SBEE Project Agreement has been deposited therein;

(e) the Borrower, CEB and SBEE have each established an accounting and financial management system for the Project satisfactory to the Association;

(f) the Borrower, CEB and SBEE have each employed in accordance with the provisions of Schedule 3 to this Agreement, the independent auditors referred to in Section 4.01 (b) of this Agreement, the CEB Project Agreement and the SBEE Project Agreement, respectively;

(g) the Borrower has established the PCU with the following staff: a financial management specialist and a procurement specialist, both employed in accordance with the provisions of Schedule 3 to this Agreement;

(h) the Borrower has adopted an electricity tariff adjustment formula in form and substance satisfactory to the Association;

(i) the Borrower, CEB and SBEE have each adopted the PIM, in form and substance satisfactory to the Association; and

(j) the BOAD Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness and to the right of CEB to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the CEB Project Agreement and the SBEE Project Agreement have been duly authorized or ratified by CEB and SBEE, respectively, and are legally binding upon CEB and SBEE, respectively, in accordance with their terms; and

(b) that the CEB Subsidiary Loan Agreement and the SBEE Subsidiary Loan Agreement have been duly authorized or ratified by the Borrower and CEB and SBEE, respectively, and are legally binding upon the Borrower and CEB and SBEE, respectively, in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance 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:

Ministère des Finances et de l'Economie
B.P. 302
Cotonou
Republic of Benin

Cable address:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFIN or 5289 MINFIN	(229) 30 18 51 (229) 31 53 56

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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 BENIN

By /s/ Cyrille Oguin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Authorized Representative

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and works for supply and erection contracts	13,400,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods and vehicles	2,350,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services and audits	9,350,000	90% of foreign expenditures and 80% of local expenditures
(4) Training	2,150,000	100%
(5) Operating Costs	600,000	85%
(6) Refunding of Project Preparation Advance	550,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,700,000	
TOTAL	<u>=====</u> <u>31,100,000</u>	

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

(c) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs and salaries of locally contracted staff, but excluding salaries of officials of the Borrower’s civil service; and

(d) the term “Training” means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

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 under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants and services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (d) Training and Operating Costs, all 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: (a) accelerate, in a commercially viable manner, the use of electricity for economic growth and social services and thus improve the quality of life in un-served and under-served areas (peri-urban and rural); (b) improve governance and ensure the financial sustainability of the sector, through the involvement of the private sector in partnership with the public sector; (c) reduce deforestation and increase access and diversity choice to renewable and cleaner fuels to the household and small and medium enterprise sectors; and (d) promote regional cooperation while protecting the environment in a sustainable manner.

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: Power Sector Reform

1. Supporting the participation of the private sector in SBEE activities through the provision of technical advisory services to DGE for the carrying out of the inventory and revaluation of SBEE assets, the environmental audit of SBEE, the preparation of the SBEE concession agreement, the consultations with the potential operators, and all the other measures and actions to be implemented prior to the signing of the SBEE concession agreement.
2. Supporting the establishment of an electricity sector regulatory agency, and the training program for the staff of such regulatory agency through the provision of technical advisory services.
3. Carrying out of information and sensitization campaigns regarding the electricity sector reform, including its goals and objectives, through the provision of technical advisory services.

Part B: Engineering Studies

Carrying out of the following studies: (a) a study to define the Borrower's strategy for off-grid electrification; (b) a feasibility study for the electric transmission line between Sakété and Parakou; (c) a load management and energy efficiency study of government buildings; (d) a detailed engineering study, and the preparation of bidding documents, for the rehabilitation reinforcement and expansion of the electricity distribution system; and (e) the environmental assessment, engineering studies, and preparation of bidding documents for the construction of an electric transmission line between Sakété and Porto-Novo.

Part C: Investment

1. Construction of the electricity transmission system from the Northern part of the Togolese Republic to the Northern part of the Borrower's territory, through the following:

(a) extension of the substation in Atakpamé and construction of the new substation in Kara, in the Togolese Republic;

(b) construction of the two outdoor substations in Djougou and Parakou, in the Northern part of the Borrower's territory;

(c) construction of the electricity transmission line from Atakpamé to the boundary with Benin, in the Togolese Republic;

(d) extension of the electric transmission systems from the boundary with Togo to Djougou and Parakou, in the Northern part of the Borrower's territory;

(e) construction of lateral electricity transmission lines from Djougou to Natitingou and from Parakou to Bembéréké; and

(f) carrying out of the supervision of the construction works under subparagraphs (b), (d) and (e).

2. Improvement of the electricity distribution system, through the following:

(a) acquisition and installation of equipment for energy efficiency improvement in government buildings; and

(b) carrying out of works needed to maintain the reliability of the existing electricity distribution system, and acquisition of equipment related thereto.

Part D: Environmental and Social Aspects

1. Carrying out the environmental assessment for the relocation of a gas turbine from Cotonou to Maria-Gleta.

2. Implementation of the compensation scheme under the EMP for the activities to be carried out under Parts C.1 (b), C.1 (d) and C. 1 (e) of the Project.

3. Carrying out of the environmental audit of SBEE.

Part E: Institutional Strengthening and Capacity Building

1. Strengthening of the institutional and technical capacities of MMEH through the carrying out of an institutional diagnostic study regarding MMEH, and the provision of

training to MMEH staff for, inter alia, the following subject matters: energy planning, energy conservation, renewable energy, rural electrification, regulation and administration, and implementation of the EA and EMP in the Borrower's territory.

2. Strengthening of the institutional and technical capacities of CEB through the carrying out of reviews of the tariff adjustment formula and electricity tariff structure, the acquisition of cost accounting software and the provision of training to CEB staff for, inter alia, the following subject matters: planning, financial and environmental management, and implementation of the EA and EMP.

3. Supporting DGE and PCU through the acquisition of office equipment and vehicles and the implementation of an information technology strategy for DGE and SBEE.

4. Supporting CEB to improve billing and to apply a more efficient tariff structure through the acquisition of measuring equipment for CEB substations.

Part F: Biomass Energy and Inter-Fuel Substitution

1. Supporting the establishment of the National Household Energy Commission and the Natural Resource Management Inter-Communal Agency; strengthening of the institutional and technical capacities of selected rural communities and local governments (*communes*) in the Moyen Ouémé region, DGE, DFRN and the Natural Resource Management Inter-Communal Agency through the provision of technical advisory services and the provision of relevant support training for the elaboration of analytical and development planning methods and systems; and acquisition of office equipment and vehicles for DGE, DFRN and the Natural Resource Management Inter-Communal Agency.

2. Supporting the establishment of about 300,000 ha of community-based sustainable forest and natural resource management systems in selected local governments (*communes*) in the Moyen Ouémé region through the provision of technical advisory services, the provision of field training, the carrying out of studies and the acquisition of small tools and equipment for the local communities and forest fire control equipment.

3. Supporting the introduction of improved carbonization systems to maximize wood-to-charcoal conversion efficiency, promotion of private sector-based improved woodfuel cookstove programs, promotion of private sector based liquefied petroleum gas and kerosene inter-fuel substitution programs, and identification and evaluation of the potential to produce and market other renewable biomass fuels, all through the provision of technical advisory services, the provision of field training, the carrying out of awareness campaigns and marketing promotion activities, and the acquisition of small tools.

4. Supporting the local communities to comply with the sustainable forest management plans through: (a) the provision of technical advisory services and the provision of training regarding, inter alia, capacity development on community organization and other skills, crop diversification, economic diversification and market support and introduction of modern agriculture practices; (b) the acquisition of equipment; and (c) the carrying out of small works such as water wells and other small community facilities.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines and estimated to cost between \$50,000 and \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services of consulting firms estimated to cost less than \$100,000 equivalent per contract and services of individual consultants estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) the first two contracts for works and the first two contracts for goods procured on the basis of each applicable method of procurement, irrespective of their estimated cost; (b) each contract for works estimated to cost the equivalent of \$500,000 or more, and each contract for goods estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive Bidding, National Competitive Bidding or Direct Contracting; and (c) each contract for consultants' services provided by a firm estimated to cost the

equivalent of \$100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$100,000 or more shall be subject to Prior Review by the Association. All other contracts shall be subject to Post Review by the Association.

Section V. Training

All training to be financed with Credit funds under the Project shall be subject to prior approval of the Association.

SCHEDULE 4

Implementation Program

A. Main Provisions of the CEB Subsidiary Loan Agreement

The CEB Subsidiary Loan Agreement shall include, but without being limited to, provisions to the following effect:

(a) part of the proceeds of the Credit shall be on-lent to CEB by the Borrower; the annual interest rate applicable to the on-lent amount shall be 3.0 percent and the repayment period shall be twenty (20) years including a grace period of five years; CEB shall bear the foreign exchange risk on the on-lent amount;

(b) the proceeds of the NDF Loan shall be on-lent to CEB by the Borrower;

(c) CEB shall perform all of its obligations under the CEB Project Agreement; and

(d) goods, works and services required for Parts B (b), B (e), C.1 (b), C.1 (f), D.1, E.2 and E.4 of the Project shall be procured in accordance with the Association's procedures as set forth in Schedule 3 to the Development Credit Agreement.

B. Main Provisions of the SBEE Subsidiary Loan Agreement

The SBEE Subsidiary Loan Agreement shall include, but without being limited to, provisions to the following effect:

(a) part of the proceeds of the Credit shall be on-lent to SBEE by the Borrower; the annual interest rate applicable to the on-lent amount shall be 5.0 percent and the repayment period shall be twenty (20) years including a grace period of five years; SBEE shall bear the foreign exchange risk on the on-lent amount;

(b) SBEE shall perform all of its obligations under the SBEE Project Agreement; and

(c) goods, works and services required for Parts B (d) and C.2 (b) of the Project shall be procured in accordance with the Association's procedures as set forth in Schedule 3 to the Development Credit Agreement.

C. Overall Project Implementation

1. Within one month of the Effective Date, the Borrower shall take all measures necessary on its part to organize, jointly with CEB and SBEE and in conjunction with the Association, a workshop for the launching of the Project which shall cover, *inter alia*,

disbursement and procurement procedures and detailed timetables for the implementation of the Project.

2. With regard to Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project, except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIM, the EA and the EMP with respect to the parts of the Project to be carried out in the Borrower's territory; and (b) not amend or waive, or permit to be amended or waived, the PIM, the EA and the EMP, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

3. The Borrower shall ensure that, at all times during the execution of the Project:

(a) PCU shall be responsible for the day to day coordination of the implementation of the Project and for the implementation of Parts A, B (a), B (c), C.2 (a), D.3, E.1, E.3 and F of the Project;

(b) the qualifications, experience and performance of the staff within MAHF, MMEH, and PCU in charge directly or indirectly of the implementation of any parts of the Project, shall be satisfactory to the Association;

(c) PCU shall be maintained with functions and composition satisfactory to the Association; and

(d) the relevant Ministries, agencies and authorities (in particular, MAHF, MMEH and the Ministry responsible for finance), shall collaborate with PCU, CEB and SBEE in compliance with the provisions of the PIM, the EA and the EMP with respect to the parts of the Project to be carried out in the Borrower's territory, in particular with respect to the appointment of individuals whose experience, position and performance are satisfactory to the Association, and who shall assist PCU, CEB and SBEE in ensuring proper implementation of the Project.

D. Reports and Mid-Term Review

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the PIM and performance indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare jointly with CEB and SBEE, under terms of reference satisfactory to the Association, and furnish to the Association, not later than January 31 and July 31 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph D.1 (a) above, on the progress achieved in the carrying out of the Project during the calendar semester preceding the date of said report

and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the calendar semester following such date; and

(c) review with the Association, CEB and SBEE, not later than two weeks after the submission of the report referred to in paragraph D.1 (b) above, or such later date as the Association shall request, the report referred to in paragraph D.1 (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. Midterm Review

(a) On or about twenty (24) four months after the Effective Date, the Borrower shall carry out jointly with the Association, CEB and SBEE, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objectives; and
- (ii) overall Project performance against Project performance indicators.

(b) The Borrower shall prepare jointly with CEB and SBEE and, at least four weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Midterm Review, prepare jointly with CEB and SBEE and submit to the Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories 1 to 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, works and services required for Parts A, B, C.1 (b), C.1 (f), C.2, D.1, D.3, E and F 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 of CFAF 800,000,000 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 of CFAF 400,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.
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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or 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 Accounts;

(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 for Parts A, B, C.1 (b), C.1 (f), C.2, D.1, D.3, E and F of the Project, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A, B, C.1 (b), C.1 (f), C.2, D.1, D.3, E and F of 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 for Parts A, B, C.1 (b), C.1 (f), C.2, D.1, D.3, E and F 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 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.