

CONFORMED COPY

CREDIT NUMBER 3073 BEN

Development Credit Agreement

(Social Fund Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 1998

CREDIT NUMBER 3073 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 22, 1998, between REPUBLIC OF BENIN (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 Project will be carried out by Agence de Financement des Initiatives de Base (AGEFIB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to AGEFIB the proceeds of the Credit as provided in this 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 Project Agreement of even date herewith between the Association and AGEFIB;

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 December 2, 1997) (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Administrative and Financial Procedure Manual" means the manual outlining the administrative and financial procedures for the implementation of the Project referred to in paragraph A.1 of Schedule 2 to the Project Agreement (as hereinafter defined), and adopted pursuant to Section 6.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Administrative and Financial Procedure Manual;

(b) "AGEFIB" means Agence de Financement des Initiatives de Base, a non-profit association established and operating under the Borrower's laws and regulations pursuant to its statutes dated October 24, 1997 (the Statutes), and the Decree (as hereinafter defined), and referred to in Section 3.01 (a) of this Agreement;

(c) "Beneficiary" means a community group, to whom, or for whose benefit, a Grant (as hereinafter defined) is made, or proposed to be made or, an individual or groups of individuals, to whom, or for whose benefit, a Matching Grant (as hereinafter defined) is made, or proposed to be made;

(d) "CFA Franc" and "CFAF" mean the currency of the Borrower;

(e) "Convention" means the agreement to be entered into between the Borrower and AGEFIB pursuant to Section 3.05 (a) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Convention;

(f) "Decree" means the Borrower's decree granting to AGEFIB the status of a public interest association in accordance with applicable laws of the Borrower, and issued pursuant to Section 6.01 (e) of this Agreement;

(g) "Departmental Screening Committee" means the multidisciplinary technical screening committee (comité d'approbation) in charge of the screening of Subprojects (as hereinafter defined) at the Borrower's departmental level when the amount of the corresponding Grant (as hereinafter defined) is to be in excess of the amount referred to in Part A (d) of Schedule 3 to this Agreement;

(h) "Facilitator" means an NGO (as hereinafter defined) or other private entity selected competitively by AGEFIB to provide social intermediation, technical and advisory services for the implementation of Part B of the Project;

(i) "Financing Agreement" means the agreement to be entered into between AGEFIB and an Implementing Agency (as hereinafter defined) for the purpose of carrying out a Subproject (as hereinafter defined) under Part A of the Project;

(j) "Grant" means a grant made, or proposed to be made, by AGEFIB to finance a Subproject (as hereinafter defined) under Part A of the Project;

(k) "Implementing Agency" means a village committee or association, or an NGO (as hereinafter defined) or other entity, responsible for the implementation of a Subproject (as hereinafter defined) under Part A of the Project for, or on behalf of, a Beneficiary;

(l) "Matching Grant Agreement" means the agreement to be entered into between AGEFIB and an informal financial institution for the purpose of making a Matching Grant (as hereinafter defined) to such institution;

(m) "Matching Grant" means a grant made, or proposed to be made, by AGEFIB to an informal financial institution to match the funds provided by such informal financial institution to a Beneficiary for the purpose of carrying out a Subproject (as hereinafter defined) under Part B of the Project;

(n) "NGO" means a non-governmental organization, established and operating in the territories of the Borrower;

(o) "Operating Manual" means the manual setting out, inter alia, criteria, procedures and guidelines for the administration, promotion, appraisal and supervision of Subprojects (as hereinafter defined), referred to in Part A (b) of Schedule 3 to this Agreement and adopted pursuant to Section 6.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Operating Manual;

(p) "Project Account" means the account referred to in Section 3.06 (a) of this Agreement;

(q) "Project Agreement" means the agreement between the Association and AGEFIB 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 Project Agreement;

(r) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 4, 1997, and March 28, 1997, between the Borrower and the Association;

(s) "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 the end of subsequent Project Semesters;

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

(u) "Subproject" means a specific activity financed, or proposed to be financed through Grants made under Part A and Matching Grants under Part B of the Project.

## 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 twelve million four hundred thousand Special Drawing Rights (SDR 12,400,000).

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: (i) 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 (other than Part B (b) (ii) thereof) and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by AGEFIB on account of withdrawals made for the benefit of a Beneficiary under a Grant or a Matching Grant to meet the reasonable cost of goods and services required for a Subproject to be financed under Part A and Part B (b) (ii), respectively, of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFA Franc a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 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 June 15 and December 15 commencing June 15, 2008, and ending December 15, 2037. Each installment to and including the installment payable on December 15, 2017, 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause AGEFIB to perform in accordance with the provisions of the Project Agreement all the obligations of AGEFIB 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 AGEFIB 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 assist AGEFIB in the carrying out of the Project in accordance with the Implementation Program set forth in Schedule 3 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 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall take steps, or cause AGEFIB to take steps, to: (a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower 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 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and land acquisition, respectively) shall be carried out by AGEFIB pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) The Borrower shall conclude an agreement (hereinafter referred to as the Convention) with AGEFIB, under which it shall transfer to AGEFIB the entire proceeds of the Credit on a non-reimbursable basis and on such other terms and conditions as shall be acceptable to the Association; including, but without being limited to, the provisions set forth in Part A of Schedule 3 to this Agreement.

(b) The Borrower shall exercise its rights under the Convention 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 Convention or any provision thereof.

Section 3.06. Without any limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) shall cause AGEFIB to open and thereafter maintain for the duration of the Project an account in CFA Francs (the Project Account) in a commercial bank and on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial contribution of one hundred sixty-two million CFA Francs (CFAF 162,000,000);

(c) thereafter, commencing with the third Project Semester, replenish said account up to an amount equal to eighty-one million CFA Francs (CFAF 81,000,000) at least on a semiannual basis, or whenever its balance shall be less than twenty million CFA Francs (CFAF 20,000,000); and

(d) ensure that amounts deposited into the 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 and services for the Project in addition to those financed from the proceeds of the Credit.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are

retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) 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 (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

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

(b) 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 AGEFIB will be able to perform its obligations under the Project Agreement.

(c) The Statutes or the Decree governing the operations of AGEFIB shall have been amended, suspended or waived so as to affect materially and adversely the ability of AGEFIB to perform any of its obligations under the Project Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and (b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

#### 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, namely:

(a) the Convention has been executed on behalf of the Borrower and AGEFIB;

(b) the Project Account has been opened and the initial contribution referred to in Section 3.06 (b) of this Agreement has been deposited therein;

(c) the Borrower has employed the independent auditors referred to in Section 4.01 of this Agreement and Section 4.01 of the Project Agreement, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement;

(d) AGEFIB has adopted an Operating Manual and an Administrative and Financial Procedure Manual, both in form and substance satisfactory to the Borrower and the Association; and

(e) the Borrower has issued the Decree, in form and substance satisfactory to the Association.

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 Project Agreement has been duly authorized or ratified by AGEFIB and is legally binding upon AGEFIB in accordance with its terms; and

(b) that the Convention has been duly authorized or ratified by the Borrower and AGEFIB and is legally binding upon the Borrower and AGEFIB in accordance with its 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.

Section 6.04. The obligations of the Borrower under Section 4.01 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

#### 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  
B.P. 302  
Cotonou  
Republic of Benin

Cable address:

MINFINANCES  
Cotonou

Telex:

5009 or 5289 MINFIN

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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/ Lucien Tonoukouin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Grants for Subprojects under Part A of the Project	3,800,000	100% of amounts disbursed
(2) Works under Part C of the Project	100,000	100% of foreign expenditures and 85% of local expenditures
(3) Equipment, vehicles, furniture and materials	300,000	100% of foreign expenditures and 85% of local expenditures
(4) Consultants' services, audits, training and studies	3,900,000	100%
(5) Matching Grants under Part B of the Project	900,000	100% of amounts disbursed
(6) Operating Costs	900,000	85%
(7) Refunding of Project Preparation Advance	500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	2,000,000	
TOTAL	12,400,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; 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"; and

(c) the term "operating costs" means the incremental operating costs arising under the Project on account of local contractual staff salaries, travel and other allowances; maintenance of buildings, office equipment and vehicles; office rental, materials and supplies; utilities, communications' expenses and vehicle insurance; but excluding salaries of the Borrower's civil servants.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) in respect of a Grant unless the Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 5, 6 and 7 of Schedule 2 to the Project Agreement; and

(c) in respect of a Matching Grant unless the Matching Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 10, 11 and 12 of Schedule 2 to the Project Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts costing less than \$100,000 equivalent each, consultants' services (firms) under contracts not exceeding \$100,000 equivalent each, consultants' services (individuals) under contracts not exceeding \$50,000 equivalent each, operating costs and training, 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 alleviate poverty and support human and social capital development through provision of financial and technical resources to support community initiated activities.

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: Small Social and Economic Infrastructure

Promotion, identification, appraisal, designing, supervision and evaluation of community initiated activities, and provision of Grants for the financing thereof, for the construction and rehabilitation of essential local economic and social infrastructure, including, inter alia, activities relating to: (i) primary education; (ii) basic health services; (iii) water supply and sanitation systems; (iv) rural feeder roads, small bridges and other basic transport infrastructure; and (v) markets and storage facilities.

#### Part B: Income Generating Activities

Improvement of delivery, and access to, financial services provided by formal and informal financial institutions to low-income groups, through the provision of financial resources to AGEFIB to finance the following:

(a) with respect to formal financial institutions, social intermediation services to be carried out by Facilitators; and

(b) with respect to informal financial institutions: (i) provision of technical advisory services and training by Facilitators to improve informal financial institutions efficiency and the safety of their operations, and (ii) provision of Matching Grants to informal financial institutions in order to enable them to finance Subprojects for income-generating activities.

#### Part C: Capacity Building and Institutional Arrangements

1. Provision of technical advisory services and training, including twinning programs, and acquisition of equipment, furniture, materials and vehicles to enhance

the organizational, managerial and strategic capabilities of grassroots community groups, facilitators and AGEFIB staff. Construction and rehabilitation of AGEFIB office space.

2. Provision of technical advisory services and training to enhance the capabilities of grassroots community groups to use and maintain the infrastructure and facilities financed under Part A of the Project.

3. Carrying out of studies to improve the efficiency and performance of AGEFIB.

4. Carrying out a pilot program of research, including the use of innovative approaches to poverty alleviation and social capital development such as provision of comprehensive services to microentrepreneurs.

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The Project is expected to be completed by June 30, 2003.

### SCHEDULE 3

#### Implementation Program

##### A. Main Provisions of the Convention

The Convention shall include, but without being limited to, provisions to the following effect:

(a) the amount allocated to Subprojects shall be used exclusively to finance Subprojects on a grant basis;

(b) no Subproject shall be considered for financing under the Project except in accordance with the eligibility criteria, and terms and conditions, set forth in an Operating Manual adopted by AGEFIB, and approved by the Borrower and the Association;

(c) goods and services required for the purposes of financing Subprojects under Part A of the Project shall be procured in accordance with the Association's procedures as set forth in Schedule 1 to the Project Agreement and as detailed in the Operating Manual;

(d) any Grant in excess of twenty million CFA Francs (CFAF 20,000,000) shall be approved by the concerned Department Screening Committee;

(e) no Matching Grant shall be in excess of ten million CFA Francs (CFAF 10,000,000);

(f) no Subproject shall be executed under Part A of the Project, unless a Financing Agreement has been concluded between the Implementing Agency and AGEFIB, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, and the amount of the relevant counterpart contribution; and

(g) no Subproject shall be executed under Part B of the Project, unless a Matching Grant Agreement has been concluded between the concerned informal financial institution and AGEFIB, setting forth the respective obligations of the parties hereunder.

##### B. Overall Project Implementation

1. The Borrower shall ensure that: (i) the two (2) Borrower's representatives on the Board of Directors of AGEFIB shall meet the qualifications requirements set forth in the Statutes; and (ii) the concerned Borrower's Ministries and agencies shall collaborate with AGEFIB in compliance with the provisions of the Operating Manual, in particular with respect to the appointment of individuals whose experience, positions and performance are satisfactory to the Association, and who shall assist AGEFIB in ensuring consistent application of the Borrower's sectoral policies.

2. The Borrower shall:

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

(b) not later than the end of the First Project Semester, and not later than the end of each Project Semester thereafter, undertake, in conjunction with the Association and AGEFIB, a joint semi-annual review on all matters relating to the progress of the Project and, in particular the progress achieved by the Borrower and AGEFIB during the current fiscal year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph;

(c) not later than one month prior to each semiannual review, furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, on the progress of the Project;

(d) following each semiannual review, act promptly and diligently in order to take, or assist AGEFIB in taking, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement, or assist AGEFIB in implementing, such measures as may have been agreed upon between the parties in furtherance of the objectives of the Project; and

(e) promptly after the Effective Date, take all measures necessary on its part to organize, in conjunction with the Association and AGEFIB, a workshop for the launching of the Project implementation which shall cover, inter alia, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

### 3. Midterm Review

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

(b) The Midterm Review shall cover, amongst other things:

(i) a review of the Subprojects financed under the Project, including the geographical distribution; and

(ii) a discussion of the options for ensuring the long-term sustainability of AGEFIB.

(c) The Borrower shall, 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.

(d) The Borrower shall, not later than four weeks after the Midterm Review, prepare 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 4

### 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, as well as amounts paid or to be paid under Grants and Matching Grants, to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to five hundred million CFA Francs (CFAF 500,000,000) 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 equivalent to two hundred and fifty million CFA Francs (CFAF 250,000,000) 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 2,500,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for 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 Account;

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the

Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to 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.

