

CONFORMED COPY

CREDIT NUMBER 2090 SE

Development Credit Agreement

(Fourth Structural Adjustment Credit)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 9, 1990

CREDIT NUMBER 2090 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 9, 1990, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated December 29, 1989 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution;

(B) the Borrower intends to obtain from the Government of the Swiss Confederation (Switzerland) a non-reimbursable contribution (the Swiss Contribution) in an amount of ten million Swiss Francs to assist in financing urgently needed imports required during the execution of the Program on the terms and conditions set forth in a bilateral agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and Switzerland, and the Association shall administer the

Swiss Contribution in accordance with the provisions of this Agreement;

(C) Switzerland intends to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements for cooperation in the cofinancing of specific development projects or programs within the framework of the eighth replenishment dated April 9, 1987 (the Arrangement) between Switzerland and the Association; and

(D) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after 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 of the Program referred to in the Preamble to the Development Credit Agreement, 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."; and

(c) the last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble of this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

(b) "CFAF" means the currency of the Borrower;

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

(d) "Central Bank" means the Banque Centrale des

Etats de l'Afrique de l'Ouest;

(e) "FY" means the Borrower's fiscal year which runs from July 1 to June 30; and

(f) "Swiss Contribution Account" means the account established by Switzerland for the purpose of the Swiss Contribution.

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 sixty-two million four hundred thousand Special Drawing Rights (SDR 62,400,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account, respectively, in accordance with the provisions of Schedule 1 to this Agreement.

(b) Except as the Association and Switzerland shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed, mutatis mutandis, by the provisions of the General Conditions.

(c) The Borrower shall, for the purposes of the Project, open and maintain two special accounts (the IDA Special Account and the Swiss Special Account) in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be April 30, 1992 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to sub-paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 2000, and ending December 15, 2029. Each installment to and including the installment payable on December 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment: not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) The National Director of BCEAO for Senegal is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Central Bank with responsibility for the preparation of withdrawal applications under the Credit and the Swiss Contribution and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply

for withdrawal of aggregate amounts of not less than FCFA 300,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit and the Swiss Contribution shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. The Borrower shall strengthen the principal agencies of the Borrower involved in the implementation of the public sector enterprise reform. To that end, the Borrower shall employ, if needed and in conformity of paragraph 143 of the Program, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with the principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit and the Swiss Contribution.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or the Swiss Contribution Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the Swiss Contribution made to the Borrower for the financing of imports required during the execution of the Program shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Swiss Contribution Agreement.
- (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 imports required during execution of the Program are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE V

Termination

Section 5.01. 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 5.02. In the event that Switzerland or the Association terminate the functions of the Association pursuant to Paragraph 5 of the Arrangement, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Borrower's Minister responsible for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere de l'Economie et des Finances
Rue Charles Laine
B. P. 4017
Dakar
Senegal

Cable address:	Telex:
MINIFINANCES Dakar	3203 SG

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	440098 (ITT), 248423 (RCA) or 64145 (WUI)

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

REPUBLIC OF SENEGAL

By /s/ Ibra Deguene KA
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit and the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower, excluding, if the currency of the Borrower is also that of another country, expenditures in such currency for

goods supplied from the territory of such other country;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals from the Credit Account in an aggregate amount not exceeding the equivalent of SDR 12,500,000, may be made on account of payments made for such expenditures before that date but after the date falling four months before the date of this Agreement;

(d) expenditures to be financed from the Swiss Contribution unless the Swiss Contribution Agreement became effective;

(e) expenditures for goods procured under contracts costing less than \$5,000 equivalent;

(f) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(g) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(h) expenditures in excess of an aggregate amount equivalent to SDR 12,500,000 for petroleum products and to SDR 12,500,000 for foodstuffs from the Credit Account;

(i) expenditures for foodstuff, crude fertilizers, crude minerals and petroleum products from the Swiss Contribution Account;

(j) expenditures for goods imported under contracts for the supply of commodities if such contracts were awarded by direct contracting without competition; and

(k) expenditures for services in excess of an aggregate amount equivalent to SDR 3,200,000.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost the equivalent of less than \$500,000 may be permitted by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit and the Swiss Contribution:

(A) after the aggregate of the proceeds withdrawn and the total amount of such commitments shall have reached the equivalent of SDR 25,000,000 from the Credit, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association;

(a) with the progress achieved by the Borrower in the carrying out of the Program, and

(b) that the actions described in Schedule 3 to this Agreement relating to the Second Tranche have been taken,

(B) after the aggregate of the proceeds withdrawn and the total amount of such

commitments shall have reached the equivalent of SDR 43,700,000 from the Credit unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association,

- (a) with the further progress achieved by the Borrower in the carrying out of the Program, and
- (b) that the actions described in Schedule 3 to this Agreement relating to the Third Tranche have been taken.

5. If, after any exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit and the Swiss Contribution or any part thereof.

SCHEDULE 2

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$2,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$2,000,000 shall be awarded:

(a) by purchasers subject to the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association; or

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except where direct contracting is permitted under paragraph 3.5 of the Guidelines.

3. With respect to each contract referred to in paragraph I of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Accounts, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 3 or paragraph 4 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraphs 3, 4 and 5 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account and the Swiss Contribution Account on the basis of statements of expenditure.

SCHEDULE 3

Conditions of Tranche Release

Second Tranche:

Actions Referred to in Paragraph 4 (A) (b) of Schedule 1 to this Agreement:

1. The Borrower has taken measures, satisfactory to the Association, for the execution of the recommendations of the Commission Tripartite regarding the wage setting system.

2. The Borrower has:

(a) established a corporate tax of 35%;

(b) eliminated the Prelevement au Budget de l'Equipment; and

(c) established a single, personal income tax at a maximum level of 50%.

3. The Borrower has restructured the Direction Generale des Impots et des Domaines and streamlined its operating procedures, including its relation with taxpayers, in a manner acceptable to the Association.

4. The Borrower has, based upon a review of the fiscal impact of the new pricing and taxation system relating to petroleum products reduced the diesel and fuel oil prices to the industrial sector, in a manner acceptable to the Association, and adjusted the electricity prices in conformity with the tariff indexing formula.

5. The Borrower has submitted a public investment program covering the FYs 1990/91 through 1992/93 satisfactory to the Association.

6. The Borrower has:

(a) reduced its direct subsidies to commercial public enterprises to a maximum amount of CFAF 600 million during FY 1989/90 and budgeted no more than CFAF 300 million as direct subsidies to commercial public enterprises for FY 1990/91.

(b) reduced its direct subsidies to noncommercial public enterprises (excluding COUD) to a maximum amount of CFAF 9.9 billion during FY 1989/90 and budgeted no more than 9.1 billion as direct subsidies to non-commercial public enterprises (excluding COUD) for FY 1990/91.

7. All undisputed cross debts between the Borrower and public enterprises and among public enterprises, as of December 31, 1989, have been mutually cancelled; the Borrower has written-off all debts owed by the non-commercial public enterprises to the Borrower as of December 31, 1989; the Borrower has included in its budget for FY 1990/91 at least one third of all uncompensated debts owed by the Borrower to public enterprises, as of December 31, 1988; all disputed cross debts between the Borrower and public enterprises, as of December 31, 1989, have been settled; at least one third of all debt owed by commercial public enterprises to the Borrower, as of December 31, 1988, have been paid; and progress, satisfactory to the Association, has been made in the settlement of uncompensated debts among public enterprises.

8. The Borrower has put into effect procedures, satisfactory to the Association and in conformity with paragraphs 125 through 130 of the Program, to prevent the recurrence of cross-debts among public enterprises.

9. The Borrower has furnished complete audit reports to the Association, taken all necessary legal measures and issued formal offerings for the sale of the public enterprises specified in paragraph 132 of the Program.

10. The Borrower has issued liquidation decrees and all activities have been ceased regarding the public enterprises specified in paragraph 134 of the Program.

11. The Borrower has limited its wage bill, without incurring pay arrears, to a maximum amount of CFAF 126.8 billion during FY 1989/90, and budgeted no more than CFAF 125 billion for FY 1990/91, and has implemented wage bill management measures satisfactory to the Association.

12. During r-Y 1989/90, the Borrower has: (a) recruited no more than 27% of total voluntary departures of civil servants for all sectors other than education; provided, however, that, in case voluntary departures remain below the targets set forth in the Pro-ram, the Borrower has reduced the number of its total civil service by at least 564 as of June 30, 1990; and

(b) recruited no more than 435 new civil servants for the education sector.

Third Tranche:

Actions referred to in Paragraph 4 (B) (b) of Schedule 1 to this Agreement:

1. The Borrower has submitted a public investment program covering FYs 1991/92 through 1993/94, satisfactory to the Association.

2. The Borrower has:

(a) reduced its direct subsidies to commercial public enterprises to a maximum amount of CFAF 300 million during FY 1990/91 and eliminated its direct subsidies to commercial public enterprises in the budget for FY 1991/92; and

(b) reduced its direct subsidies to non-commercial public enterprises to less than CFAF 9.1 billion during FY 1990/91 and budgeted less than CFAF 7.4 billion as direct subsidies to noncommercial public enterprises (excluding COUD) for FY 1991/92.

3. The Borrower has included in its budget for FY 1991/92 at least one third of all debts owed by the Borrower to public enterprises as of December 31, 1989; at least one third of all debt owed by commercial public enterprises to the Borrower, as of December 31, 1989, have been settled; and progress, satisfactory to the Association, has been made in the settlement of uncompensated debts among public enterprises.

4. The Borrower has furnished complete audit reports to the Association, taken all necessary legal measures and issued formal offerings for the sale of public enterprises specified in paragraph 132 of the Program.

5. The Borrower has issued liquidation decrees and all activities have been ceased regarding the list of public enterprises specified in paragraph 134 of the Program.

6. The Borrower has limited its wage bill, without incurring pay arrears, to a maximum amount of CFAF 125 billion during FY 1990/91, budgeted no more than CFAF 125 billion for FY 1991/92, and has implemented wage bill management measures satisfactory to the Association.

7. During FY 1990/91, the Borrower has recruited no more than:

(a) 38% of total voluntary departures of civil servants for all sectors other than education; and

(b) 681 new civil servants for the education sector.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the Credit and the Swiss Contribution in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means: (i) an amount of FCFA 3,000,000,000 in the case of the IDA Special Account; and (ii) an amount of FCFA 600,000,000 in the case of the Swiss Special Account; such amounts to be withdrawn from the Credit Account and the Swiss Contribution Account, respectively and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

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

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Accounts at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and the Swiss Contribution Account and deposit into the appropriate Special Account such amounts as shall be required to replenish the appropriate Special Account with amounts not exceeding the amount of payments made out of the Special Accounts for eligible expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account and the Swiss Contribution Account in the respective equivalent amounts as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

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

for eligible expenditures.

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

- (i) the Association shall have determined that all further withdrawals can be made by the Borrower directly from the Credit Account or the Swiss Contribution Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit or the Swiss Contribution, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account or the Swiss Contribution Account of the remaining unwithdrawn amount of the Credit or the Swiss Contribution 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 Accounts 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 Accounts: (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, deposit into the Special Accounts (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Accounts shall be made until the Borrower has made such deposit or refund.

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

