

CONFORMED COPY  
CREDIT NUMBER 3098 BEN

Development Credit Agreement  
(Borgou Region Pilot Rural Support Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 26, 1998

CREDIT NUMBER 3098 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 26, 1998, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (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) "Beneficiary" means a Community Group (as hereinafter defined) to whom, or for whose benefit, a Grant (as hereinafter defined) is made, or proposed to be made;

(b) "Borgou Region" means the "Département du Borgou" in the territory of the Borrower;

- (c) "Community Group" means a village association or other legal entity;
- (d) "Borgou Steering Committee" means the multidisciplinary technical committee (comité de supervision) responsible for the definition of the main development policy orientation for the Borgou Region, and the provision of overall guidance to the District Approval Committees (as hereinafter defined) in line with policies established by the Borrower;
- (e) "District Approval Committee" means the multidisciplinary technical committee (comité d'approbation sous-préfectoral) responsible for, in each of the fourteen (14) districts (sous-préfectures) of the Borgou Region, the approval of Subprojects (as hereinafter defined);
- (f) "Financing Agreement" means an agreement to be entered into between the Borrower and a Beneficiary for the purposes of carrying out a Subproject (as hereinafter defined);
- (g) "Grant" means a grant made, or proposed to be made, by the Borrower to finance a Subproject (as hereinafter defined) under Part B of the Project;
- (h) "Implementation Manual" means the manual referred to in paragraph A.1 of Schedule 4 to this Agreement and setting out, inter alia, procedures and guidelines for the identification, selection and implementation of Subprojects (as hereinafter defined), as the same may be amended from time to time, and such term includes any schedules to the Implementation Manual;
- (i) "MDR" means Ministère du Développement Rural, the Borrower's Ministry responsible for rural development;
- (j) "Project Coordinator" means the Project Coordinator and head of TSU (as hereinafter defined) referred to in paragraph A.2 of Schedule 4 to this Agreement;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (l) "Subproject" means a specific activity financed, or proposed to be financed under Part B of the Project;
- (m) "TSU" means the Technical Support Unit within MDR responsible for the day-to-day management of the Project and overall monitoring of progress in the implementation of the Project;
- (n) "Village Committee" means the committee, at the Borrower's village level, responsible for the establishment of the development plan of its community and the approval of the Subprojects; and
- (o) "FCFA" means Franc de la Communauté Financière Africaine, the currency of the Borrower.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to three million Special Drawing Rights (SDR 3,000,000).

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 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 the Borrower on account of withdrawals made for the benefit of a Beneficiary under a Grant to meet the reasonable cost of goods and services required for a Subproject to be financed under Part B of the Project, and in respect of which withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 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, shall carry out the Project through MDR 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(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 for the future operation of the Project; and

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

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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 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 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 audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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) MDR has appointed the Project Coordinator, the monitoring and evaluation specialist, the administrative and financial manager, the accountant, the three (3) rural development specialists, the three (3) rural engineer specialists and the three (3) financial specialists referred to in paragraph A.2 of Schedule 4 to this Agreement, all in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower has adopted the Implementation Manual, in form and substance satisfactory to the Association; and

(c) the Borrower has established an internal accounting and financial system acceptable to the Association for the implementation of the Project.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. 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 VIII

##### Representative of the Borrower; Addresses

Section 8.01. 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 8.02. 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/ Jean-Louis Sarbib

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	1,700,000	80% of amounts disbursed
(2) Equipment, furniture, vehicles, office supplies and fuel	150,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services, audits and training	700,000	100%
(4) Operating costs	250,000	100%
(5) Unallocated	200,000	
TOTAL	3,000,000	

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 travel allowances, utilities, telephone, maintenance of office and vehicles, but excluding salaries of the Borrower's civil servants.

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 for goods and consultants' services (firms) under contracts not exceeding \$50,000 equivalent each, for works and consultants' services (individuals) under contracts not exceeding \$30,000 equivalent each, 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) improve the capacity of about 250 village communities in the Borgou Region to better manage their socio-economic environment through sustainable development activities designed and implemented through a participatory approach; and (b) assess the planning and implementation capabilities of the Borrower and Beneficiaries before phased replication of the tested participatory approach in other parts of the Borrower's territory.

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: Capacity Building

1. Enhancement of the organizational, managerial and project design, and preparation and implementation capacities with respect to village development plans of Village Committees in about 250 villages in the Borgou Region and improvement of literacy and technical capabilities of such Committees and those of Community Groups through the provision of technical advisory services and the carrying out of a training program.

2. Carrying out a program of field trips and study tours, and improving the operation of local radio stations in Parakou and Banikoara, through the provision of training to their staff and acquisition of small equipment.

3. Improving the technical capabilities of Committee Groups of producers through the provision of technical advisory services regarding extension and adaptive research, and carrying out a program of agricultural fora to inform producers.

#### Part B: Community-Initiated Local Development

Provision of Grants for the financing of community-initiated sustainable development activities including, inter alia, activities relating to water supply (well drilling and water works), feeder roads (construction of access roads to production sites and enclave villages), social services infrastructure (construction of health posts, classrooms and storage facilities) and natural resources management technologies.

#### Part C: Evaluation

Carrying out an evaluation of the results achieved in the utilization of the participatory approach in the activities carried out in support of the Beneficiaries and the assessment of the suitability of such participatory approach for replication in other parts of the Borrower's territory.

#### Part D: Institutional Management

Improving the operational and technical capacities of TSU for the implementation

of the Project through the provision of advisory services and training and acquisition of equipment, furniture and vehicles, in particular, in order to allow TSU to carry out the monitoring of the Project activities.

\* \* \*

The Project is expected to be completed by June 30, 2001.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Good and Works

###### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

(a) Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$97,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Community Participation

Notwithstanding the provisions of paragraphs 1 and 2 of this Part C, goods and works required for Part B of the Project shall be procured in accordance with procedures acceptable to the Association, as set forth in the Implementation Manual.

###### Part D: Review by the Association of Procurement Decisions

###### 1. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$30,000 or more and for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

###### 2. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

##### Section II. Employment of Consultants

###### Part A: General



Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Parts A and B of the Project, estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audit and Part D of the Project 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 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services under Parts A.2 and B of the Project 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 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 4

### Implementation Program

#### A. Overall Project Implementation

1. Except as the Association shall otherwise agree, the Borrower shall: (i) apply the criteria, policies, procedures and guidelines set out in the Implementation Manual; and (ii) not amend, or waive, or permit to be amended or waived, the Implementation Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. The Borrower shall maintain TSU until the completion of the Project, with terms of reference acceptable to the Association. TSU shall consist of a Project Coordinator, a monitoring and evaluation specialist, a financial and administrative manager, an accountant, three (3) rural development specialists, three (3) rural engineer specialists, three (3) financial specialists and adequate support staff, who shall all be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement. The Project Coordinator who shall head TSU, shall be responsible for the supervision and coordination of the day-to-day management of the Project.

3. Until the completion of the Project, the Borrower shall ensure that: (a) the concerned Borrower's Ministries and agencies collaborate with MDR in compliance with the provisions of the Implementation Manual, in particular, with respect to the appointment of individuals whose experience, positions and performance are satisfactory to the Association and who shall assist TSU in ensuring proper implementation of the Project; and (b) the District Approval Committees and the Borgou Steering Committee are maintained and that their composition continue to remain as set forth in the Implementation Manual.

4. 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 June 30 of each year, commencing on June 30, 1999 undertake, in conjunction with the Association, a joint annual review on all matters relating to the progress of the Project and, in particular the progress achieved by the Borrower during the previous year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph;

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

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

5. Midterm Review

(a) On or about eighteen months after the Effective Date, the Borrower shall carry out jointly with the Association 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) review of the Subprojects financed under the Project;

(ii) progress made in the implementation of the Project and, in particular, the progress achieved by the Borrower having regard to the performance indicators referred to in paragraph 4 (a) of this Schedule 4;

(iii) effectiveness of institutional arrangements, including the performance of TSU, and the soundness of decentralized processes established under the Project;

(iv) lessons learned during implementation of the Project so as to assess the degree of readiness for replication of the Project at the national level; and

(v) quality of advisory services and contractors under the Project.

(b) 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.

(c) 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. B. Part B of the Project

#### 6. Eligibility Criteria for Subprojects

Without limitation upon the provisions of paragraph 1 above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless the concerned District Approval Committee has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Implementation Manual, which shall include, inter alia, the following:

(a) the Subproject shall be for any of the types of activities referred to in Part B of the Project;

(b) the Subproject shall be initiated by a Beneficiary;

(c) the Subproject shall be economically, financially and technically viable, and environmentally sound, all in accordance with the standards specified in the Implementation Manual; and

(d) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

#### 7. Procedures

(a) Applications for Grants to finance Subprojects shall be prepared by Beneficiaries and submitted to the respective Village Committee, which shall, if approved by such Committee, refer them to the respective District Approval Committee for its approval; and

(b) Where the respective District Approval Committee approves an application for a Grant, the Approval District Committee informs the respective Village Committee and refers such application to TSU for financing the approved application.

#### 8. Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between the Borrower and the Beneficiary, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) financing to be on a grant basis;

(b) the obligation to carry out the Subproject in accordance with the Implementation Manual, with due diligence and efficiency and in accordance with sound environmental, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(f) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the Subproject upon failure by the Beneficiary to perform any of its obligations under its Financing Agreement.

9. The Borrower shall submit to the Association, for its review, semiannual and annual progress reports on the status of the Project, including regular beneficiary assessment and beneficiary feedback reports and Subprojects completion reports.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of: (i) the reasonable cost of works, goods and services required for the Project; and (ii) Grants for Subprojects, 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 FCFA 120,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

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.

