

CONFORMED COPY

CREDIT NUMBER 1975 GM

(Enterprise Development Project)

between

REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 18, 1989

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 18, 1989, between REPUBLIC OF THE GAMBIA (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) Part B of the Project will be carried out by the Central Bank of the Gambia (CBG) through Participating Commercial Banks (PCBs) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CBG for relending to the PCBs part of 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 CBG;

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 set forth in Schedule 3 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Project Agreement" means the agreement between the Association and CBG, 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;

(b) "Subsidiary Financing and Management Agreement" means the agreement to be entered into between the Borrower and CBG pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Financing and Management Agreement;

(c) "Participating Agreement" means the agreement to be entered into between CBG and each eligible PCB pursuant to Section 2.01 (b) of the Project Agreement;

(d) "CBG" means the Central Bank of the Gambia, a statutory Corporation established and operating pursuant to the Central Bank of the Gambia Act, 1971 (Act No. 1);

(e) "CBG Act" means the Central Bank of the Gambia Act, 1971 (Act No. 1) as amended to the date of this Agreement;

(f) "Sub-loan" means a loan or credit made or proposed to be made by a PCB to a Small and Medium-Scale Enterprise (SME), as hereinafter defined, for a Small and Medium-Scale Enterprise Project (SME Project) out of the proceeds of the Credit relented to the PCB under the Participating Agreement;

(g) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 1 to the Project Agreement;

(h) "PCBs" means the Banque Internationale pour le Commerce et l'Industrie (BICI), the Gambia Commercial and Development Bank (GCDB) and the Standard Chartered Bank Gambia Limited (SCBG) and such other commercial banks registered and operating in The Gambia as the Borrower and the Association shall determine;

(i) "SME" means a Gambian owned enterprise with total assets (not including assets acquired under a Sub-loan or including land) of not more than \$400,000 equivalent to which a PCB proposes to make or has made a Sub-loan;

(j) "SME Project" means a specific development project to be carried out by an SME utilizing the proceeds of a Sub-loan;

(k) "Statement of Policies and Procedures" means Sub-loan policies and procedures satisfactory to the Association as approved by CBG's Board of Directors including policies and procedures set out in the Circular referred to in Section 6.01 (b) of this Agreement, as such policies and procedures may be modified with the agreement of the Association;

(l) "PCC" means the committee referred to in

Section 3.01 (c) of this Agreement;

(m) "CBG's Apex Unit" means the unit referred to in Section 2.01 (d) of the Project Agreement;

(n) "GWFC" means the Gambia Women's Finance Company Limited;

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

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated July 31, 1986, August 1, 1986 and April 27, 1988, between the Borrower and the Association;

(q) "Special Project Preparation Advance" means the project preparation advance granted by the Bank, from the Special Project Preparation Facility created by the Executive Directors of the Bank on January 8, 1985, to the Borrower pursuant to an exchange of letters dated August 30, 1985 between the Borrower and the Bank;

(r) "GCDB" means the Gambia Commercial and Development Bank;

(s) "NIB" means the National Investment Board;

(t) "MDI" means the Management Development Institute; and

(u) "IDU" means the Industrial Development Unit of the Ministry of Economic Planning and Industrial Development (MEPID).

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 seven million three hundred thousand Special Drawing Rights (SDR 7,300,000).

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 Parts A and C of the Project and to be financed out of the proceeds of the Credit; (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by a participating commercial bank (PCB) on account of withdrawals made by a small and medium-scale enterprise (SME) under a Sub-loan to meet the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in CBG on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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 cancelled.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to the Bank an amount required to repay the principal amount of the Special 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 Special Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower and GCDB of such later date.

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

(b) The commitment charge shall accrue: (i) from a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 1998, and ending February 15, 2028. Each installment to and including the installment payable on February 15, 2008, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the

Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. CBG is, with respect to Part B of the Project, 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.

ARTICLE III

Description of the Project; Use of Proceeds of the Credit

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 Parts A and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and human resources development and public enterprises reform practices and policies.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause CBG to perform in accordance with the provisions of the Project Agreement all the obligations of CBG 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 CBG to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall establish and thereafter maintain in a form and with functions and staffing satisfactory to the Association, a Project Coordinating Committee (PCC) to be responsible for the coordination generally of activities under the Project. PCC shall consist of the Project Coordinator (who shall be the Permanent Secretary of the Borrower's Ministry of Finance and Trade (MFT)), the Project Manager (who shall be appointed by MFT and shall have qualifications and experience satisfactory to the Association), the head of CBG's Apex Unit, and a representative each of MEPID and NIB.

(d) The Borrower shall, out of the proceeds of the Credit, make available to CBG for relending on behalf of the Borrower to eligible PCBs an amount equivalent to \$5,400,000, or such other amount or amounts as shall be allocated to Category (1) in Schedule 1 to this Agreement, under a Subsidiary Financing and Management Agreement to be entered into between the Borrower and CBG on terms and conditions which shall have been approved by the Association. The Subsidiary Financing and Management Agreement shall provide for: (i) collection by CBG from the PCBs of interest due from the PCBs under the respective Participating Agreements; (ii) retention of an administrative fee of two percentage points by CBG's Apex Unit from the amounts of interest collected from the PCBs; and (iii) payment by CBG to the Borrower of the amounts of: (A) interest as and when collected by CBG; and (B) principal collected by CBG, payment of principal by CBG to the Borrower to be made over a period not exceeding 20 years (including three years of grace reckoned from the date of the Subsidiary Financing and Management Agreement).

(e) The Borrower shall, out of the proceeds of the Credit, make available to CBG, NIB, GCDB, GWFC, MDI and IDU, as grants, for purposes of Parts A and C of the Project the amounts allocated to each of the said institutions in Categories (2) and (3) in Schedule 1 to this Agreement.

(f) The Borrower shall, not later than December 15 of each year, review with CBG and the Association the procedures for setting, and the level of, interest rates for Sub-loans.

(g) The Borrower shall exercise its rights under the Subsidiary Financing and Management Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Financing and Management Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A and C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 5 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by CBG pursuant to Section 2.04 of the Project Agreement.

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, 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.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association'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

Remedies of the Association

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

(a) CBG 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 CBG will be able to perform its obligations under the Project Agreement.

(c) The CBG Act or the Statement of Policies and Procedures shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of CBG or its ability to carry out Part B of the Project or to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CBG or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) 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 days after notice thereof shall have been given by the Association to the Borrower and CBG; and

(b) any event specified in paragraph (c) or (d) 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:

(a) the signing of the Subsidiary Financing and Management Agreement;

(b) the furnishing by CBG to the Association of a circular satisfactory to the Association duly setting out the terms and conditions to govern the making of Sub-loans; and

(c) the signing of at least one Participating Agreement.

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 CBG, and is legally binding upon CBG in accordance with its terms; and

(b) that the Subsidiary Financing and Management Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and CBG 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister responsible for Finance and Trade of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Trade
The Quadrangle
Banjul
The Republic of the Gambia

Cable address:	Telex:
MINFIN The Republic of the Gambia	2264

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 THE GAMBIA

By /s/ Ousman A. Sallah
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael J. Gillette
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) Goods and services for SME Projects:		
(a) SMEs owned by women	730,000	100% of amounts disbursed for each SME Project but not exceed- ing 75% of the total cost of the SME Project
(b) Other SMEs	3,180,000	
(2) Vehicles and equipment:		
(a) GCDB	80,000	100% of foreign expenditures for directly imported items and 90% of locally procured items
(b) NIB	80,000	
(c) CBG's Apex Unit	40,000	
(d) GWFC	40,000	

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) (a) Consultants' services and training:		100%
(i) NIB:		
(A) for Part A (2) (a) of the Project	160,000	
(B) for Part C of the Pro- ject	640,000	
(ii) GCDB	600,000	
(iii) GWFC	130,000	

(iv)	MDI	150,000	
(v)	IDU	190,000	
(b)	Classroom expansion and equipping under Part A (2) (b) of the Project (MDI)	260,000	100%
(4)	Refunding of Project Preparation Advance	330,000	Amount due pursuant to Section 2.02 (c) of this Agreement
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5)	Refunding of Special Project Preparation Advance	150,000	Amount due pursuant to Section 2.02 (d) of this Agreement
(6)	Unallocated	540,000	
	TOTAL	7,300,000	

2. For the purposes of this Schedule, 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.

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; and

(b) in respect of a Sub-loan unless: (i) the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement; (ii) a Participating Agreement has been duly signed by the PCB making the Sub-loan; and (iii) the Association shall have been satisfied, where the Sub-loan was made by GCDB, that GCDB has made satisfactory progress in carrying out the GCDB rehabilitation program referred to in Part A(2)(e) of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist in financing such productive facilities and resources in the Gambia as will contribute to the economic and social development of the country; (ii) to increase private sector participation in the development of the Gambian economy and thereby generate employment, assist the development of Gambian entrepreneurs, improve the performance of commercial banks, and increase the participation of financial intermediaries in the financing of private enterprise; (iii) to continue the Borrower's public enterprise reform program; and (iv) to develop the capacity of banks and other institutions to prepare, appraise and supervise SME Projects and provide extension services to SMEs.

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: Human Resources Development

1. Strengthening local training and extension institutions and the capacity of banks to appraise and supervise development projects.

2. A program of institutional reforms including:

(a) assistance to the National Investment Board (NIB) to develop a comprehensive program of investment promotion and extension services to SMEs;

(b) assistance (including the expansion and equipping of classroom space) to the Management Development Institute (MDI) to develop and offer courses to: (i) the staff of commercial banks in project appraisal and supervision; (ii) the staff of the Indigenous Business Advisory Service (IBAS), the Industrial Development Unit (IDU), the Gambia Women's Finance Company Limited (GWFC) and NIB on how best to assist SMEs with advice; and (iii) entrepreneurs in basic business skills;

(c) assistance to CBG's Apex Unit (including the provision of a vehicle, a personal computer and related software) to manage and administer Sub-loans;

(d) assistance to GWFC to devise the best means of assisting and supporting SMEs owned by Gambian women (including a survey to determine such means) and strengthening of GWFC's banking and other operations;

(e) assistance to GCDB to: (i) carry out a diagnostic review of its operations and financial conditions; (ii) strengthen its management and operational capabilities; and (iii) design and carry out a program satisfactory to the Association for the rehabilitation of GCDB;

(f) assistance to IDU, including the provision of training for staff of agencies of the Borrower responsible for implementing the Borrower's Development Act, 1988; and

(g) liquidation of the Agricultural Development Bank (ADB).

Part B: Sub-loan Financing

The making of Sub-loans through PCBs to eligible SMEs.

Part C: Public Enterprises Reform

Assisting NIB to manage the Borrower's public enterprises reform program including: (i) valuations of holdings and preparation of prospectuses and information circulars; review of corporate plans and performance contracts; seminars on the performance of public enterprises reform programs; studies of issues and problems relating to public enterprises reform; and provision of necessary office and other equipment and logistical support; and (ii) assisting priority public enterprises (as determined by the Borrower and the Association) to: (A) prepare corporate plans and restructuring programs; and (B) carry out financial and management audits, improvements in MIS/accounting and budgeting systems, and financial and technical studies and reviews.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) The last sentence of Section 3.02 is deleted.
- (2) The following subparagraph is added to Section 2.01:

"15. The term 'Project Agreement' has the meaning set forth in paragraph (b) of Section 1.02 of the Development Credit Agreement."

(3) The provisions "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following new provisions are substituted therefor:

"or (e) by the date specified in paragraph 4 (c) of Part C of Schedule 1 to the Project Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under paragraph 4 (a) or (b) of said Part; or (ii) have denied any such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement, provided, however, that notwithstanding the provisions of paragraph 3 (b) of Part C of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Association shall have authorized withdrawals from the Credit Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 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 a deposit or deposits 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 made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall 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; (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.

SCHEDULE 5

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: Shopping and Local Competitive Bidding

Goods for Parts A and C of the Project may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Classroom expansion works under Part A(2)(b) of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods or works estimated to cost an amount equivalent to \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to paragraph 3 of said Appendix shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a) (ii) of the Develop-

ment Credit Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower in carrying out Parts A and C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

