

CONFORMED COPY

CREDIT NUMBER 2873 SE

Development Credit Agreement

(Pilot Female Literacy Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 1996

CREDIT NUMBER 2873 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 17, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter, dated May 2, 1996, from the Borrower, describing a program of actions, objectives and policies designed to increase female literacy in the territory of the Borrower (the Literacy Program) and declaring the Borrower's commitment to the execution of the Literacy Program;

(C) Part A of the Project will be carried out by AGENCE D'EXECUTION DES TRAVAUX D'INTERET PUBLIC CONTRE LE SOUS-EMPLOI (AGETIP) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to AGETIP a portion 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 AGETIP;

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 below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

- (a) "AGETIP" means Agence d'Execution des Travaux d'Interet Public Contre Le Sous-Emploi, a public works executing entity established in accordance with Law No. 66-70 of the Borrower, dated July 13, 1966;
- (b) "Beneficiary" means an individual, or a group of individuals, to whom, or for whose benefit, a Sub-Project (as hereinafter defined) is being implemented or proposed to be implemented;
- (c) "CCS" means Cellule de Coordination et du Suivi, the Project Coordination and Monitoring Unit within MCALN (as hereinafter defined);
- (d) "CNOAS" means Coordination Nationale des Operateurs en Alphabetsation au Senegal, a non-governmental professional organization of Literacy Providers (as hereinafter defined) which collaborates with the departments, ministries and agencies of the Borrower, to facilitate the Literacy Providers' carrying out of technical support to fellow-Literacy Providers;
- (e) "CNCAT" means Comite National de Concertation et d'Appui Technique, the national consultation committee established by the Borrower and consisting of representatives of the Literacy Providers and MCALN (as hereinafter defined);
- (f) "Convention" means the agreement entered into between the Borrower and AGETIP, dated January 7, 1993, as the same may be amended from time to time, and such term includes the Procedures Manual (as hereinafter defined) and all other annexes, schedules and attachments thereto;
- (g) "FCFA" means Franc de la Communauté Financière d'Afrique, the currency of the Borrower;
- (h) "First Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter and "Project Year" means any twelve-month period beginning at the end of the First Project Year or the end of subsequent Project Years;
- (i) "First Phase" means the first five year phase of the ten year Literacy Program of the Borrower referred to in recital B of the Preamble of this Agreement;
- (j) "Grant" means a grant made, or proposed to be made, to

finance a Sub-Project (as hereinafter defined);

(k) "Literacy Provider" means a committee, association, non-governmental organization, enterprise, youth, women or producers' groups that organizes or provides literacy programs to Beneficiaries;

(l) "MCALN" means Ministere Charge de l'Alphab[^]tisation, the Borrower's Ministry in charge of literacy and national languages;

(m) "Procedures Manual" means the Procedures Manual, to be used by AGETIP to govern its operations and annexed to the Convention, as the same may be amended from time to time, and such term includes any schedules to the Procedures Manual;

(n) "Project Implementation Manual" means the implementation manual containing, inter alia, procedures (other than those in the Procedures Manual) and criteria governing the operation of the Project;

(o) "Project Agreement" means the agreement between the Association and AGETIP, 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;

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated March 16, 1995, and June 29, 1995, between the Borrower and the Association;

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

(r) "Subproject" means a specific development project to promote female literacy, financed, or proposed to be financed, through grants extended under Part A of the Project; and

(s) "Subproject Agreement" means an agreement to be entered into between AGETIP and a Literacy Provider for the execution of a Subproject.

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 eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement (other than Part A thereof) and to be financed out of the proceeds of the Credit and amounts paid (or if the Association shall so agree, to be paid) by AGETIP on account of withdrawals made by a Literacy Provider under a Sub-project to meet the reasonable cost of goods and services required for a Sub-project and in respect of which the withdrawals 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 on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the

authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be February 28, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 from the next payment 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 per cent (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 May 15 and November 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 semi-annual installments payable on each May 15 and November 15 commencing November 15, 2006, and ending May 15, 2036. Each installment to and including the installment payable on May 15, 2016, 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. AGETIP 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall:

- (i) carry out, with the assistance of AGETIP, Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and management practices and in accordance with the Implementation Program set forth in Schedule 3 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part B of the Project;
- (ii) cause AGETIP to carry out Part A of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and management practices, and in accordance with the provisions of the Convention;
- (iii) cause AGETIP to perform in accordance with the provisions of the Project Agreement all the obligations of AGETIP therein set forth;
- (iv) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGETIP to perform such obligations; and
- (v) refrain from taking or permitting to be taken any action which would prevent or interfere with such performance of AGETIP.

(b) The Borrower shall make the proceeds of the Credit, allocated to Part A of the Project, available to AGETIP on a non-reimbursable basis and under such terms and conditions which shall have been approved by the Association.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

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

(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 Part B of the Project; and

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

Section 3.04 The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 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) shall be carried out by AGETIP, pursuant to Section 2.03 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 Part B of the Project of the departments or agencies of the Borrower responsible for carrying out Part B of 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 (6) 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, 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 expenditures, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made;
- (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 expenditures 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) AGETIP shall have failed to perform any of its obligations under the Project Agreement.

(b) A situation shall have arisen which shall make it improbable that the Literacy Program or a significant part thereof will be carried out.

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

(d) Law No. 66-70 of the Borrower referred to in Section 1.02 (a) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of AGETIP to perform any of its obligations under the Convention or the Project Agreement.

(e) The Borrower, or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AGETIP 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

(b) any event specified in paragraphs (d) or (e) 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) AGETIP has, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement, appointed the Project Coordinator and the accountant referred to in paragraph 3 of Schedule 2 to the Project Agreement responsible for carrying out Part A of the Project; and

(b) AGETIP has, for the purpose of the Project, appointed an independent auditor, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement.

Section 6.02. The following is specified as an additional matter, 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 namely, that the Project Agreement has been duly authorized or ratified by AGETIP, and is legally binding upon AGETIP 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

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as

representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economy, Finance
and Planning
Rue Charles Laine
B.P. 4017
Dakar, Senegal

Cable address:

MINIFINANCES
Dakar

Telex:

3203G

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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/ Mamadou Mansour Seck
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
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
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(1)	Goods	350,000	100% of foreign expenditures and 90% of local expenditures
(2)	Grants under Part A of the Project	6,050,000	95% of total amount of each Subproject
(3)	Consultants' Services	750,000	100%
(4)	Training	270,000	100%
(5)	Operating Costs	210,000	90%
(6)	Refunding of Project Preparation Advance	480,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5)	Unallocated	590,000	
	TOTAL	8,700,000	=====

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 the goods and 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 incremental expenditures related to Project implementation including those related to the contractual personnel, office supplies, travel costs related to supervision, evaluation and sector monitoring, and fuel for vehicles.

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 under contracts costing less than \$50,000 equivalent, and services under contracts with consulting firms not exceeding \$100,000, and with individual consultants not exceeding \$50,000, 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: (i) expand access to literacy and post literacy programs, particularly for females; and (ii) strengthen the capacity of the private sector to deliver effective programs, and the capacity of the public sector to monitor, evaluate and coordinate sector investments.

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: Female Literacy and Post-literacy Subprojects

Promotion, appraisal, designing, carrying out, supervision and evaluation of Sub-Projects prepared and submitted by Literacy Providers, and provision of Grants for the financing thereof.

Part B: Strengthening of Project Management and Capacity Building in Program Delivery, Management and Evaluation

1. Strengthening of the capacity of Literacy Providers to deliver effective literacy programs focusing particularly on improving the availability and quality of literacy materials including: (a) organization of training and workshops by CNOAS and CNCAT; (b) provision of technical advisory services to Literacy Providers on the management of financial records and accounts to ensure that they comply with the guidelines presented in the Procedures Manual; and (c) organization of training/seminars and provision of technical advisory services in the area of human resource development.
2. Strengthening of the capacity of MCALN to monitor progress in the carrying out of the Project, and establish reliable and valid evaluation designs and procedures for Sub-Projects carried out under Part A of this Schedule, and coordinate interventions in the sector, including: (a) establishment of a management and geographic information system; (b) carrying out of an ex-post evaluation of a representative-sample of literacy programs; (c) carrying out of a study of a sample of program-participants to assess skill retention; and (d) acquisition of vehicles, equipment, furniture, and supplies for Part B of the Project.
3. Strengthening of the capacity of MCALN staff through the organization of training seminars and provision of technical advisory services in the area of human resource development.

* * *

The Project is expected to be completed by August 31, 2002.

SCHEDULE 3

Implementation Program

1. (a) The Borrower shall, not later than September 30 of each year, commencing from 1997, carry out jointly with the Association, and in conjunction with AGETIP, a comprehensive annual project implementation review aimed at: (i) documenting progress towards realization of the objectives; (ii) identifying and resolving obstacles to Project implementation; (iii) adjusting targets and corresponding programs to reflect progress achieved in the implementation of the Project in the prior years and ensuring responsiveness to changes to effectively achieve the objectives of the Project; and (iv) discussing the work program and budget for the forthcoming year.

(b) The Borrower shall, not later than four weeks prior to the review referred to in (a) above, furnish, or cause AGETIP to furnish, to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(c) Promptly after completing such reviews, the Borrower shall carry out, or cause AGETIP to carry out recommendations arising out of said reviews with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.
2. (a) The Borrower and the Association shall, not later than September 30, 1999, undertake, in conjunction with AGETIP, a mid-term review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower and AGETIP of their respective obligations under this Agreement and the Project Agreement, and in particular: (i)

the progress achieved by the Borrower and AGETIP, respectively, during the period reviewed, having regard to the performance indicators agreed upon between the Borrower and the Association and specified in the Project Implementation Manual; (ii) the status of financial and procurement performance under the Project; (iii) the proposed budget and work program for the remaining period; (iv) the adequacy of arrangements for the selection, financing and implementation of different activities under the Project; and (v) in order to consolidate the achievements of the Project, details of a proposed plan to ensure the best use of the resources.

(b) Not later than one month prior to the mid-term review referred to in (a) above, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at the said review.

(c) Following the mid-term review, the Borrower shall promptly take, or assist AGETIP in taking any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist AGETIP in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

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

4. Without limitation upon the provisions of paragraph 1 of this Schedule, the Borrower shall cause AGETIP to submit to the Borrower and to the Association, for their review or approval, as the case may be:

(a) before the beginning of each Project Year, a proposed annual work program, in respect of Part A of the Project, including a proposed budget and financing plan, for the forthcoming fiscal year; and

(b) semiannual and annual progress reports on the status of Part A of the Project, including regular Beneficiary feedback reports and Sub-Projects completion reports.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods 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; and

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 500,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 250,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pur-

suant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

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

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

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

