

CONFORMED COPY

CREDIT NUMBER 3397 BEN

Development Credit Agreement
(Labor Force Development Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2000

CREDIT NUMBER 3397 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 2000, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by Fonds de Développement de la Formation Professionnelle Continue et de l'Apprentissage (FODEFCA) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to FODEFCA, as set forth 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 agreement of even date herewith between the Association and FODEFCA;

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 October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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) "Administrative and Financial Manual" means the manual outlining the administrative and financial procedures for the implementation of the Project referred to in paragraph A.1 of Schedule 2 to the Project Agreement (as hereinafter defined), and adopted pursuant to Section 6.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Administrative and Financial Manual;

(b) "Beneficiary" means a group of companies, enterprises, workers or unemployed, to whom, or for whose benefit, a Grant (as hereinafter defined) is made, or proposed to be made;

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

(d) "DFPC" means the Direction de la Formation Professionnelle Continue, the directorate for in-service vocational training at the Borrower's Ministry of Civil Service, Labor and Administrative Reform;

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

(f) "FODEFCA" means the Fonds de Développement de la Formation Professionnelle Continue et de l'Apprentissage, a public entity established and operating under the Borrower's laws and regulations pursuant to its statutes dated February 12, 1999 (the FODEFCA Statutes), and the decree No. 99-053 dated February 12, 1999 (the FODEFCA Decree), and referred to in Section 3.01 (a) of this Agreement;

(g) "Grant" means a grant made, or proposed to be made, by

FODEFCA to finance a Subproject (as hereinafter defined) under Part A of the Project;

(h) "Implementing Entity" means a training institution responsible for the implementation of a Subproject (as hereinafter defined) under Part A of the Project for, or on behalf of, a Beneficiary;

(i) "OE" means the "Observatoire de l'Emploi" established and operating pursuant to Arrêté No. 104/MTEAS/DC/DPE of the Borrower, dated July 28, 1995, as amended from time to time, and referred to in Section 3.06 of this Agreement;

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

(k) "Project Agreement" means the agreement between the Association and FODEFCA 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;

(l) "Project Management Report" means each report prepared in accordance with Section 4.02 of the Project Agreement;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on August 22, 1995 and on behalf of the Borrower on November 14, 1995;

(n) "Project Semester" means the six-month period beginning from the Effective Date and ending six months thereafter (the First Project Semester), and any six-month period beginning at the end of the First Project Semester, or the end of subsequent Project Semesters;

(o) "Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the First Project Year), and any twelve-month period beginning at the end of the First Project Year, or the end of subsequent Project Years;

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

(q) "Subproject" means a specific training program financed, or proposed to be financed through Grants made under Part A of the Project; and

(r) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and FODEFCA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

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 eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in CFA Francs a special deposit account in a commercial bank 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 June 30, 2004 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 April 1 and October 1 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 April 1 and October 1 commencing October 1, 2010 and ending April 1, 2040. Each installment to and including the installment payable on April 1, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's

resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause FODEFCA to perform in accordance with the provisions of the Project Agreement all the obligations of FODEFCA 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 FODEFCA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall assist FODEFCA in the carrying out of the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

(c) The Borrower shall make the proceeds of the Credit available to FODEFCA under a subsidiary agreement to be entered into between the Borrower and FODEFCA, under terms and conditions which shall have been approved by the Association which shall include, but without being limited to, the provision set forth in Part A of Schedule 3 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary 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 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 the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall take steps, or cause FODEFCA to take steps, to:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 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 FODEFCA pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without any limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

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

(b) deposit into the Project Account an initial contribution of one hundred fifty million CFA Francs (CFAF 150,000,000);

(c) deposit into the Project Account by January 31, April 30, July 31 and October 31 in each year, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project in addition to those financed from the proceeds of the Credit.

Section 3.06. The Borrower shall cause OE to prepare an annual monitoring and evaluation report regarding the impact of Subprojects, consistent with the methodology referred to in Section 2.07 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

(i) maintain or cause to be maintained in accordance with

sound accounting practices, records and separate accounts reflecting such expenditures;

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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 Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

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

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

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

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

Borrower; and

(b) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions :

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and FODEFCA;

(b) the Project Account has been opened and the initial contribution referred to in Section 3.05 (b) of this Agreement has been deposited therein;

(c) FODEFCA has adopted an Operational Manual and an Administrative and Financial Manual, both in form and substance satisfactory to the Borrower and the Association;

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

(e) FODEFCA has established an accounting and financial management system for the Project, satisfactory to the Association; and

(f) FODEFCA has appointed its Administrative and Financial Chief, its Chief of Studies and Information, Education and Communication, an accountant, a procurement specialist and two vocational training advisors, all in accordance with the provisions of Section II of Schedule 1 to the Project 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 FODEFCA, and is legally binding upon FODEFCA in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and FODEFCA and is legally binding upon the Borrower and FODEFCA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministère des Finances
B.P. 302
Cotonou,
Republic of Benin

Cable address: Telex: Facsimile:

MINFINANCES	5009 or	(229) 30 18 51
COTONOU	5289 MINFIN	(229) 31 53 56

For the Association:

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

Cable address: Telex: Facsimile:

INDEVAS	248423 (MCI) or	(202) 477-6391
Washington, D.C.	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/ 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
(1) Equipment, vehicles, furniture and materials	75,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services, audits, training and studies	750,000	100%
(3) Operating Costs incurred	150,000	90% of costs from the Effective to December 31, 80% of costs in 2002; and 70% of costs incurred thereafter
Date 2001; incurred		
(4) Grants for Subprojects under Part A of the Project	2,000,000	100% of amounts disbursed
(5) Refunding of Project Preparation Advance	400,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	425,000	
TOTAL	3,800,000	

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 incurred on account of Project implementation, management and supervision, including office supplies, communication costs, office equipment and vehicle maintenance and operation costs, travel and other allowances, local contractual staff salaries; 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: (a) payments made for expenditures prior to the date of this Agreement; and (b) in respect of a Grant unless the Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 4, 5 and 6 of Schedule 2 to the Project Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) expenditures for goods (Category 1) under contracts costing less than \$50,000 equivalent each; (ii) consultants' services (firms) under contracts costing less than \$50,000 equivalent each; (iii) consultants' services (individuals) under contracts costing less than \$25,000 equivalent each; (iv) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in the start up and pilot testing of a new program that aims to increase the availability, quality and cost effectiveness of labor force training, particularly targeting the informal sector and women, by strengthening capacities of the public sector to monitor and evaluate labor force training needs, and of the private sector to improve its training capacity.

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: Training

The promotion, identification, appraisal, designing, supervision and evaluation of Subprojects to provide training programs for the modern sector, the informal sector and the agricultural sector, and for facilitating entrance to the labor force, and provision of Grants for the financing thereof.

Part B: Monitoring and Evaluation

Supporting the development and implementation of a monitoring and evaluation system by OE regarding the impact of the Subprojects, through: (i) the provision of technical advisory services for carrying out studies, collecting data and preparing periodic reports; (ii) the provision of training, including twinning programs; and (iii) the acquisition of office supplies.

Part C: Institutional Development

1. Provision of technical advisory services and training, carrying out of workshops and acquisition of equipment, materials and vehicles to enhance the organizational, managerial and strategic capabilities of the Management Committee and senior staff of FODEFCA.

2. Carrying out of studies to improve the efficiency and performance of FODEFCA.

3. Provision of technical advisory services and training, and acquisition of equipment, furniture and materials to enhance the monitoring and strategic capabilities of DFPC staff.

4. Provision of training, including twinning programs, carrying out of workshops and acquisition of equipment, furniture and materials to enhance the technical capacities of OE staff.

5. Carrying out of a study to determine the training needs and priorities of the Implementing Entities.

* * *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Implementation Program

A. Main Provisions of the Subsidiary Agreement

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

(a) the obligation of FODEFCA to perform all of its obligations under the Project Agreement;

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

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

(d) goods and services required for the Project (including the Subprojects) shall be procured in accordance with the Association's procedures as set forth in Schedule 1 to the Project Agreement;

(e) any Grant in excess of three million CFA Francs (CFAF 3,000,000) shall be approved by the Management Committee (Comité de Gestion) of FODEFCA; any Grant of three million CFA Francs (CFAF 3,000,000) or less shall be approved by the Executive Secretary (Secrétaire Exécutif) of FODEFCA;

(f) no Grant shall be in excess of thirty million CFA Francs (CFAF 30,000,000); and

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

B. Overall Project Implementation

1. The Borrower shall ensure that: (i) the experience and performance of the four (4) Borrower's representatives on the Management Committee of FODEFCA, appointed in conformity with the provisions of the FODEFCA Statutes, shall be satisfactory to the Association; and (ii) the concerned Borrower's Ministries and agencies shall collaborate with FODEFCA, in particular with respect to the appointment of individuals whose experience and performance are satisfactory to the Association, and who shall assist FODEFCA in ensuring consistent application of the Borrower's sectoral policies.

2. The Borrower shall:

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

(b) not later than the end of the First Project Semester, and not later than the end of each Project Semester thereafter, undertake, in conjunction with the Association and FODEFCA, a joint semi-annual review on all matters relating to the progress of the Project and, in

particular: (i) the progress achieved by the Borrower and FODEFCA during the current fiscal year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph, and (ii) any recommendations made by OE in its annual monitoring and evaluation reports;

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

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

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

3. Midterm Review

(a) On or about eighteen months after the Effective Date, the Borrower shall carry out jointly with the Association and FODEFCA 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) a review of the Subprojects financed under the Project, including the impact of the Subprojects on the Beneficiaries' productivity; and

(ii) a discussion of the options for ensuring the long-term sustainability of FODEFCA, based on an institutional assessment.

(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.

SCHEDULE 4

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 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 of CFAF 300,000,000 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 of CFAF 150,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii)

of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

