

CONFORMED COPY

**CREDIT NUMBER 3733 BUR
GRANT NUMBER H022 BUR**

Development Financing Agreement

(Competitiveness and Enterprise Development Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 2003

**CREDIT NUMBER 3733 BUR
GRANT NUMBER H022 BUR**

DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated March 19 2003, between BURKINA FASO (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 Association has received a letter from the Borrower, dated July 31, 2002 describing a program designed to improve its private sector (the Program) and declaring the Borrower's commitment to the execution of such Program;

(C) Part B2 of the Project will be carried out by *Maison de l'Entreprise du Burkina Faso* (MEBF) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Financing provided for in Article II of this Agreement available to MEBF, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the financing to the Borrower upon the Credit and Grant terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and MEBF (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) "APIM-BF" means *Association Professionnelle des Institutions de Microfinance*, a Professional Organization of the Borrower's Microfinance Sector;

(b) “ARTEL” means *Autorité Nationale de Régulation des Télécommunications*, the Borrower’s telecommunications regulatory authority;

(c) “Beneficiary” means a Burkinabe firm or business association which has met the eligibility criteria specified in Paragraph 3 (b) of the Project Agreement and in the MEBF Manual of Procedures (as hereinafter defined) and, as a result, has been extended, or is to be extended, a Matching Grant (as hereinafter defined) for the carrying out of activities under Part B.2 (b) of the Project; and “Beneficiaries” means each such Beneficiary collectively;

(d) “CNCC” means *Commission Nationale de la Concurrence et de la Consommation*, the Borrower’s Antitrust Commission;

(e) “Competitiveness Committee” means the committee established under the auspices of MOCEPH (as hereinafter defined), composed of representatives of the Borrower’s ministries, the private sector and civil society, and responsible for formulation of policies and actions to improve the competitiveness of the Borrower’s economy, increase investments, and foster private sector development;

(f) “DELGI” means *Délégation générale à l’informatique*, the General Delegation for Informatics within the office of the Prime Minister;

(g) “DGACM” means *Direction Générale de l’Aviation Civile et de la Météorologie*, the national civil aviation authority established at the Ministry of Transport;

(h) “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(i) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “ICT” means information and communication technologies;

(k) “Initial Deposit” means the deposit referred to in Section 3.03 (b) of this Agreement;

(l) “Matching Grant Agreement” means an agreement between MEBF and a Beneficiary setting forth the terms and conditions under which a Matching Grant shall be made available to the Beneficiary for the purpose of financing activities under Part B.2 (b) of the Project;

(m) “Matching Grant” means a grant made or proposed to be made by MEBF, out of the proceeds of the Grant, to a Beneficiary for the purpose of financing activities under Part B2(b) of the Project;

(n) “MEBF Manual of Procedures” or “MEBF MP” means the plan referred to in Paragraph 1 of the Schedule to the Project Agreement;

(o) “MEBF PIU” means the MEBF Project Implementation Unit referred to in Paragraph 2 of the Schedule to the Project Agreement;

(p) “MEBF” means *Maison de l'Entreprise du Burkina Faso*, an entrepreneurship center established and operating as a not-for-profit association under the laws of the Borrower and responsible for carrying out Part B.2 of Schedule 2 to this Agreement;

(q) “MOCEPH” means the Borrower’s Ministry of Commerce, Enterprise Promotion and Handicrafts;

(r) “MOE” means the Borrower’s Ministry of Energy;

(s) “MOJ” means the Borrower’s Ministry of Justice;

(t) “MPT” means the Borrower’s Ministry of Posts and Telecommunications;

(u) “OHADA” means *Organisation pour l'Harmonisation en Afrique du Droit des Affaires*, the Organisation for Harmonisation of African Business Laws;

(v) “ONATEL” means *Office National des Télécommunications*, the Borrower’s public telecommunication company;

(w) “PC” means the Borrower’s Privatization Commission within MOCEPH;

(x) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(y) “Project Agreement” means the agreement between the Association and MEBF 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;

(z) “Project Coordination Unit” or “PCU” means the unit referred to in Section II (1) of Schedule 4 to this Agreement;

(aa) “Project Implementation Manual” or “PIM” means the manual referred to in Section I (1) of Schedule 4 to this Agreement;

(bb) “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 and on behalf of the Borrower on June 11, 2001;

(cc) “Project Subcomponent Unit(s)” or “PSU(s)” means the unit(s) referred to in Section II(2) of Schedule 4 to this Agreement;

(dd) “RCCM” means the Borrower’s Register of Commercial and Personal Property Transactions;

(ee) “SMEs” means small- and medium-sized enterprises established and operating under the laws of the Borrower;

(ff) “SMS” means *Service Ministériel de Suivi de la Microfinance de la Direction des Affaires Monétaires et Financières de la Direction Générale du Trésor et de la Comptabilité Publique*, the Microfinance Office of the Department of Financial and Monetary Affairs within the Treasury Department of the Borrower’s Ministry of Finance;

(gg) “SONABEL” means *Société Nationale d’Electricité du Burkina*, the Borrower’s public electricity company;

(hh) “SONABHY” means *Société Nationale Burkinabe d’Hydrocarbures*, the Borrower’s public hydrocarbons company;

(ii) “Special Account A” means the special deposit account opened for withdrawals from the Credit by the Borrower in respect of expenditures made under Parts A, B1 and C of the Project and referred to in Section 2.02 (b) of this Agreement;

(jj) “Special Account B” means the special deposit account opened for withdrawals from the Grant by the Borrower in respect of expenditures made under Part B3 of the Project and referred to in Section 2.02 (b) of this Agreement;

(kk) “Special Account C” means the special deposit account opened for withdrawals from the Credit by MEBF in respect of expenditures made under Part B2 (a) of the Project and referred to in Section 2.02 (b) of this Agreement;

(ll) “Special Account D” means the special deposit account opened for withdrawals from the Grant by MEBF in respect of expenditures made under Part B.2 (b) of the Project and referred to in Section 2.02 (b) of this Agreement;

(mm) “Special Accounts” means Special Account A, Special Account B, Special Account C and Special Account D; and

(nn) “Subsidiary Grant Agreement” means the agreement entered into between the Borrower and MEBF 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 to the Subsidiary Grant Agreement.

ARTICLE II

The Financing

Section 2.01. The Association agrees to:

(a) lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eighteen million seven hundred thousand Special Drawing Rights (SDR 18,700,000) (the Credit).

(b) make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to four million one hundred thousand Special Drawing Rights (SDR 4,100,000) (the Grant).

Section 2.02. (a) (i) 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 works, goods and services required for Parts A, B.1, B.2 (a), and C of the Project and to be financed out of the proceeds of the Credit portion of the Financing; and

(ii) The amount of the Grant may be withdrawn from the Grant 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 works, goods and services required for Parts B.2 (b) and B.3 of the Project and to be financed out of the proceeds of the Grant portion of the Financing.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA four special deposit accounts (Special Account A, Special Account B, Special Account C and Special Account D) in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 5 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, 2008 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 commitment charges on the principal amount of the Credit and the Grant respectively not withdrawn from time to time at rates to be set by the Association as of June 30 of each year, such rates not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charges 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 respective Credit Account and Grant 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 charges 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to Paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing May 15, 2013 and ending November 15, 2042. Each installment to and including the installment payable on November 15, 2022 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 of the Credit to conform to the schedule of installments as provided in Paragraph (a) above.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, B1, B3 and C of the Project through MOCEPH with due diligence and efficiency and in conformity with appropriate administrative, business, financial, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A, B1, B3 and C of the Project.

(b) Without limitation upon the provisions of Paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall

carry out Parts A, B1, B3 and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall: (i) cause MEBF to: (a) carry out Part B.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, business, financial, engineering and technical practices, and (b) perform, in accordance with the provisions of the Project Agreement and Schedule 4 to this Agreement, all the obligations of MEBF therein set forth; (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable MEBF to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(d) For the purposes of carrying out Part B.2 of the Project, the Borrower shall make available to MEBF the proceeds of the Financing allocated from time to time to Categories 1, 2 (b), 3 (b), 4 and 5 (b) of the table in Paragraph 1 of Schedule 1 to this Agreement, under a Subsidiary Grant Agreement to be entered into between the Borrower and MEBF, under terms and conditions which shall have been approved by the Association.

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

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

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open and maintain in FCFA, until the completion of the Project, a Project Account, in the Borrower's Treasury, under terms and conditions satisfactory to the Association;

(b) promptly thereafter make an Initial Deposit into the Project Account in an amount equivalent to \$280,000 to finance the Borrower's initial contributions to the expenditures under the Project;

(c) thereafter, at quarterly intervals, deposit into the Project Account such amounts as are estimated to be required for the ensuing three-month period and as shall be agreed upon between the Borrower and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with Paragraphs (b) and (c) of this Section shall be used exclusively to finance the Borrower's contribution to the expenditures under the Project which are not otherwise financed out of the proceeds of the Financing.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.05. 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.2 of the Project shall be carried out by MEBF pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Parts A, B.1, B.3 and C of the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in Paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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: (A) certified copies of the financial statements referred to in Paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Financing Accounts 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 separate accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Financing Accounts 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section III of Schedule 4 to this Agreement the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing

separately funds provided under the Financing, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof shall be carried out.

(b) MEBF shall have failed to perform any of its obligations under the Project Agreement.

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

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that any event specified in 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 this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

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

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

(c) MEBF has appointed the MEBF PIU staff referred to in Paragraph 2 (c) of the Schedule to the Project Agreement;

(d) the Project Account has been opened and the Initial Deposit paid into the Project Account;

(e) the Borrower and MEBF have furnished to the Association a procurement plan for the carrying out of Parts A, B.1, B.3 and C, and Part B.2, respectively, for the first twelve months following the Effective Date;

(f) the Borrower and MEBF have established a financial management and accounting system for the Project satisfactory to the Association;

(g) the Borrower and MEBF have appointed the independent auditors referred to in Section 4.01 (b) of this Agreement, and in Section 4.01 (b) of the Project Agreement, respectively, under terms and conditions acceptable to the Association and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(h) the Borrower has adopted the rural telecommunications development strategy referred to in Part A.2 (d) of the Project set forth in Schedule 2 to this Agreement, satisfactory to the Association.

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

(b) that the Subsidiary Grant Agreement has been duly authorized by the Borrower and MEBF and is legally binding upon the Borrower and MEBF in accordance with its terms;

Section 6.03. The date one hundred and twenty (120) 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. 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 et du Budget
03 B.P. 7008
Ouagadougou 03
BURKINA FASO

Cable address:	Telex	Facsimile:
SEGEGOUV	5555	(226) 31 27 15 (226) 31 54 09

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

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.

BURKINA FASO

By /s/ Tertius Zongo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Financing

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Financing, the allocation of the amounts of the Financing to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works under Part B.2 (a) of the Project	180,000		100% of foreign expenditures and 90% of local expenditures
(2) Goods			100% of foreign expenditures and 80% of local expenditures
(a) Under Parts A, B.1 and C of the Project	4,150,000		
(b) Under Part B.2 (a) of the Project	230,000		
(c) Under Part B.3 of the Project		160,000	
(3) Consultants' services, and audit fees			100% for foreign expenditures and 80% of local expenditures
(a) Under Parts A, B.1 and C of the Project	7,500,000		
(b) Under Part B.2 (a) of the Project	380,000		
(c) Under Part B.3 of the Project		740,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training and Workshops			100%
(a) Under Parts A, B.1 and C of the Project	2,950,000		
(b) Under Part B.2 (a) of the Project	50,000		
(c) Under Part B.3 of the Project		450,000	
(5) Matching Grants under Part B.2 (b) of the Project		2,450,000	100% of amounts disbursed
(6) Incremental Operating Costs			80%
(a) Under Parts A, B.1 and C of the Project	1,370,000		
(b) Under Part B.2 (a) of the Project	350,000		
(c) Under Part B.3 of the Project		300,000	
(7) Refunding of Project Preparation Advance	440,000		Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,100,000		
TOTAL	18,700,000	4,100,000	

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 “Incremental Operating Costs” means the incremental expenses incurred on account of office supplies, administrative support, communication and utility services, travel and supervision costs, and special account banking charges, but excluding salaries of officials of the Borrower’s civil service.

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) expenditures under Category (5) for any Matching Grant, unless such Matching Grant has been made in accordance with the eligibility criteria, procedures and terms and conditions set forth in Paragraph 3 of the Schedule to the Project Agreement and in the MEBF MP, and a Matching Grant Agreement, satisfactory to the Association, has been executed by and is binding on MEBF and the Beneficiary, and has become effective.

4. The Association may require withdrawals from the Credit Account and the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) works, goods and services of consulting firms under contracts costing less than \$100,000 equivalent each; (b) services of individual consultants under contracts costing less than \$50,000 equivalent each; and (c) Matching Grants, training and 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 to improve the competitiveness of its economy through private sector development, mitigation of constraints to SMEs development, and improved producer to market linkages.

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: Privatization and Utility Reform Component

1. Privatization

Support to PC for: (a) strategic planning and implementation of specific privatization transactions envisaged in the Borrower's privatization program, including the privatization of ONATEL, SONABEL, and SONABHY; (b) streamlining privatization regulations, procedures and decision-making processes; (c) carrying out of a privatization communication campaign; and (d) strengthening of the PC to implement the Borrower's privatization policy.

2. Utility Reform

(a) Support to DGACM for: (i) strengthening its capacity to regulate the air transport sector; and (ii) streamlining the Civil Aeronautic Code and air transport regulations.

(b) Support to MOE for: (i) devising a new regulatory framework for the energy sector; (ii) establishing and building up the capacity of a regulatory body for the sector; and (iii) opening the sector to private investors.

(c) Strengthening of the capacity of ARTEL to regulate the telecommunications sector, including streamlining of the telecommunications regulatory framework.

(d) Strengthening of the capacity of MPT to implement a rural telecommunications development strategy, and to develop and implement funding mechanisms to improve telecommunications access in rural areas.

(e) Support to DELGI for: (i) formulating and implementing policies for the development of ICT; (ii) devising a legal framework for ICT; and (iii) identifying measures for promotion of electronic payment systems and the usage of ICT in export activities.

Part B: Enterprise Development Component

1. Business Environment

(a) Support to MOJ for: (i) preparing amendments to improve commercial and labor laws and regulations, including the preparation and implementation of an action plan for the harmonization of OHADA and national laws; (ii) educating magistrates and court administrators on the implementation of OHADA and business laws; (iii) strengthening the commercial courts; (iv) developing a mechanism for the referral of commercial court cases to arbitration, and establishing an arbitration center, including the preparation of arbitration rules, the provision of equipment and reference materials, the training of arbitrators and the holding of public outreach campaigns; (v) strengthening the capacity of the RCCM personnel and reorganizing and computerizing the RCCM filing system as well as ensuring the interconnection between the computerized filing systems of the RCCM and the Chamber of Commerce; and (vi) strengthening the capacity of CNCC to effectively carry out its mandate.

(b) Support to MOCEPH for formulating policies for: (i) strengthening its capacity to increase its effectiveness through the provision of technical advisory services, training of its personnel and equipment; and (ii) promoting competitiveness and enterprise development in its various fields of responsibilities.

(c) Support to the Competitiveness Committee for: (i) formulating and making recommendations to appropriate bodies for implementation of measures aimed at improving the competitiveness of the Borrower's economy; (ii) defining and implementing policy proposals and an action plan for removing administrative barriers to investment and streamlining administrative regulations and procedures affecting enterprise registration and operation; and (iii) carrying out an annual conference on national economic competitiveness.

2. Enterprise Development Services

(a) Support to MEBF for: (i) building its capacity as an information and orientation center for entrepreneurs; and (ii) providing non-financial services to SMEs such as feasibility studies, technical and business plans, business and financial management, training and effective mobilization of resources.

(b) Support to MEBF for providing Matching Grants to Beneficiaries for the following types of activities: (i) provision of expert consultancies to Beneficiaries by suppliers of business services; and (ii) development and delivery of training courses for Beneficiaries by qualified trainers and training institutions.

3. Microfinance

Support to SMS and APIM-BF for: (i) improving the supervision of the microfinance sector; (ii) developing and implementing a national policy and strategy for the financing of the rural sector and for SMEs development; and (iii) designing and implementing a program to build an effective partnership in the microfinance sector between SMS and APIM-BF.

Part C: Project Implementation and Audit Component

Provision of technical assistance and financing to the Project Coordination Unit to implement, coordinate, monitor, evaluate and audit the Project.

* * *

The Project is expected to be completed by December 31, 2007

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and Paragraph 5 of Appendix 1 thereto.
2. The following provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of Paragraph 1 of this Part B:

Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, and works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of Paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which could be procured as an extension of an existing contract, or must be purchased from the original supplier to be compatible with existing equipment, or are of a propriety nature, or must be procured from a particular supplier as a condition of a performance guarantee estimated to cost less than \$10,000 per contract, up to an agreement amount not to exceed \$100,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

The proposed procurement plan for the Project shall be furnished to the Association annually for its review and approval, in accordance with the provisions of Paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said Paragraph 1.

2. Prior Review

With respect to each contract for works or goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in Paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), Paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of

the Consultant Guidelines, and the provisions of Paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding Paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of Paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audit and other services of standard nature estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for research, training and other services meeting the criteria of Paragraph 3.7 of the Consultant Guidelines estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Commercial Practices

Services to assist MEBF in carrying out Matching Grants under Part B2(b) of the Project and estimated to cost less than \$70,000 equivalent may be procured in accordance with commercial practices acceptable to the Association.

4. Individual Consultants

Services of individual consultants for training, study visits and small studies shall be procured under contracts awarded in accordance with the provisions of Paragraphs 5.1 through 5.3 of the Consultant Guidelines, subject to prior approval of the Association.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 6 months during the execution of the Project, and each such updating shall be furnished to the

Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in Paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of Paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

SCHEDULE 4

Implementation Program

Section I Implementation Arrangements

1. (a) The Borrower shall: (i) prepare and furnish to the Association a Project Implementation Manual, in form and substance satisfactory to the Association; (ii) carry out Parts A, B.1, B.3, and C of the Project in accordance with the PIM; and (iii) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the PIM which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objectives thereof; and

 (b) Without limitation upon the provision of Paragraph 1(a) of this Section, the PIM shall include: (i) a Project implementation plan; (ii) a Project monitoring and evaluation plan; (iii) a Project procurement manual; (iv) a Project financial management manual; and (v) such other administrative, financial, technical and organizational arrangements as shall be required for the Project.

2. The Borrower shall carry out full or partial audits, as mandated by the Environmental Pre-audit Report dated January 20, 2002, of all enterprises specified in said Plan, in accordance with the procedures and provisions thereof, prior to the privatization of said enterprises under Part A.1 of the Project, and shall take all the mitigation, enhancement, monitoring, and institutional measures identified as a result of said audits and agreed with the Association in order to eliminate any adverse environmental and social impacts related to the privatization of said enterprises, offset them, or reduce them to acceptable levels, or to enhance the positive impacts of such privatization.

Section II Institutional Arrangements

1. Project Coordination Unit

 (a) The Borrower shall establish at MOCEPH, and thereafter maintain at all times during the implementation of the Project, a Project Coordination Unit, in form and with functions, staffing and resources satisfactory to the Association.

 (b) Without limitation upon the provision of Paragraph 1 (a) of this Section, the PCU shall be responsible for: (i) the day-to-day implementation of Parts B.1 (b) and (c) of the Project; (ii) the procurement, financial management, and audit of the Project except for Part B.2 of the Project; and (iii) the overall implementation, coordination and monitoring and evaluation of the Project.

 (c) Without limitation upon the provision of Paragraph 1 (a) of this Section, the PCU shall consist of the following staff with terms of reference, qualifications and

experience satisfactory to the Association: (i) a Project Coordinator; (ii) a procurement specialist; (iii) a financial management specialist; (iv) an executive assistant; and (v) an accountant.

2. Project Subcomponent Units

(a) The Borrower shall establish, and thereafter maintain at all times during the implementation of the Project, several Project Subcomponent Units, in form and with functions, staffing and resources satisfactory to the Association, and headed by Project Subcomponent Coordinators.

(b) Without limitation upon the provision of Paragraph 2(a) of this Section, the PSUs shall be responsible for the day-to-day implementation of their respective Project subcomponents, and for coordination of their respective Project subcomponent activities with the PCU, as follows: (i) the PSU at PC for Part A.1 of the Project; (ii) the PSU at DNAC for Part A.2 (a) of the Project; (iii) the PSU at MOE for Part A.2 (b) of the Project; (iv) the PSU at ARTEL for Part A.2 (c) of the Project; (v) the PSU at MPT for Part A.2 (d) of the Project; (vi) the PSU at DELGI for Part A.2 (e) of the Project; (vii) the PSU at MOJ for Part B.1 (a) of the Project; and (viii) the PSU at CM, in coordination with APIM-BF, for Part B.3 of the Project.

Section III Monitoring and Reporting Arrangements

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

2. Progress Reports and Reviews

(a) The Borrower shall prepare, in conjunction with MEBF, under terms of reference satisfactory to the Association, and furnish to the Association, semiannually beginning on or about the date six (6) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(b) The Borrower shall review, jointly with MEBF and the Association, the reports referred to in Paragraph 2(a) of this Section, on or about the date one month after the submission of said reports, or such later date as the Association shall request, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Association's views on the matter.

3. Mid Term Review

(a) The Borrower shall carry out, jointly with MEBF and the Association, on or about the date thirty (30) months after the Effective Date, a comprehensive mid-term review aimed at: (i) documenting progress toward Project objectives; (ii) identifying and resolving obstacles to Project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review.

(b) In conjunction with MEBF, the Borrower shall, not later than four weeks prior to the review referred to in Paragraph 3 (a) of this Section, furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(c) Promptly after completing the mid-term review, the Borrower shall take, and shall cause MEBF to take, all measures required to fulfill the recommendations arising out of said review, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1, 2 (a), 3 (a), 4 (a) and 6 (a) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A; Categories 2 (c), 3 (c), 4 (c) and 6 (c) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account B; Categories 2 (b), 3 (b), 4 (b) and 6 (b) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account C; and Category 5 set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account D.

(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 Financing 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 FCFA 1,500,000,000 in respect of Special Account A; an amount equivalent to FCFA 150,000,000 in respect of Special Account B; an amount equivalent to FCFA 100,000,000 in respect of Special Account C; an amount equivalent to FCFA 250,000,000 in respect of Special Account D, to be withdrawn from the Financing Accounts and deposited into the Special Accounts 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 FCFA 750,000,000 in respect of Special Account A, an amount equivalent to FCFA 75,000,000 in respect of Special Account B, an amount equivalent to FCFA 50,000,000 in respect of Special Account C, and an amount equivalent to FCFA 125,000,000 in respect of Special Account D until (i) in respect of Special Account A, the aggregate amount of withdrawals from the Financing Accounts 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 6,000,000, (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Financing Accounts 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 600,000, (iii) in respect of Special Account C, the aggregate amount of withdrawals from the Financing Accounts 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 400,000, and (iv) in respect of Special Account D, the aggregate amount of withdrawals from the Financing Accounts 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 900,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 either or both of the Financing Accounts and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 either or both of the Financing Accounts and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Financing Accounts 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 respective 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 any 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 Financing Accounts 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 Accounts;

(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 Financing Accounts pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Financing allocated to the eligible Categories for the respective Special Account, 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 Financing Accounts of the remaining unwithdrawn amount of the Financing 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

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

SCHEDULE 6

Modifications of the General Conditions

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

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association as a development credit and development grant to its members. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement.”

2. Paragraph 8 of Section 2.01 is amended to read as follows:

“8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.”

3. The following new paragraphs are added to Section 2.01:

“15. “Grant” means the development grant provided for in the Development Financing Agreement.”;

“16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”;

“17. “Financing” means, collectively, the Credit and the Grant.”;

“18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).”

4. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01(3), 2.01(12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.

5. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Section 2.01(6), 4.01, Article V, Article VI, and Section 12.03.

6. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

7. Section 3.01 is modified to read as follows:

“Section 3.01. *Financing Accounts.* The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

8. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02(a)(ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”, to Section 6.02(c)(i) after the words “any development credit agreement” and before the words “with the Association”, and to Section 7.01(b)(i) after the words “any other development credit agreement” and before the words “between the Borrower and the Association”:

9. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”

SCHEDULE 7

Monitoring Indicators

1. Private sector contribution to the Borrower's Gross Domestic Product of 8 points of percentage over the life of the Project, and at least 2000 new jobs created in the private sector.
2. Improved access to infrastructure services, particularly in the telecommunications sector by increasing the current teledensity from 1.5 to 3 lines per 100 inhabitants by the end of the Project.
3. State divestiture completed in at least 15 public enterprises out of the 21 slated for privatization.
4. Regulatory arrangements adopted and made operational in the energy sector, and capacity built for both telecommunications and energy regulation.
5. Rural telecommunications services made available to at least 100 additional villages.
6. National laws harmonized with any OHADA uniform laws which have already been ratified, RCCM made current in line with OHADA requirements, and at least 100 magistrates trained.
7. Arbitration mechanism established and functioning; key staff trained.
8. Administrative barriers to investment assessed and action plan adopted by mid-term review, and at least 60 percent of the red-tape elements removed by the end of the Project.
9. Three national conferences held involving the Borrower's public sector, the private sector and other stakeholders on competitiveness issues, resulting in national competitiveness reports.
10. Increase in production by the Beneficiaries of the Matching Grants; Business Development Services Providers clearly identified by midterm review; increase in the demand for private sector development services as reflected by the demand for technical training and consulting services.
11. An increase in number of clients and loan portfolio outstanding by registered microfinance institutions not more than 15% of non-performing loans.