CREDIT NUMBER 1658 MAU
Second Amendment

Agreement Amending and Restating Development Credit Agreement

(Second Livestock Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 1986
as Amended and Restated on February 7, 1995
AGREEMENT AMENDING AND RESTATING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 7, 1995, between ISLAMIC
REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT
ASSOCIATION (the Association).

WHEREAS the Borrower and the Association have agreed to amend
the Development Credit Agreement between the Borrower and the
Association, dated April 24, 1986 (the Development Credit
Agreement), as amended through an exchange of letters dated
December 1, 1987; January 10, 1988 and June 8, 1989; and July 18,
1989; in the manner hereinafter set forth (Second Amendment);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The Development Credit Agreement is hereby
amended relative to certain subcomponents and activities under the
Project description within the Project objectives as outlined and
approved by the Association and the Borrower under the original
Development Credit Agreement, and restated in its entirety so as to
read as set forth in the Annex hereto.

ARTICLE II

Section 2.01. This Amending Agreement shall not become
effective until evidence satisfactory to the Association shall have
been furnished to the Association that the execution and delivery of
this Amending Agreement on behalf of the Borrower have been duly
authorized by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant
to Section 2.01 of this Amending Agreement, there shall be furnished
to the Association an opinion or opinions satisfactory to the
Association of counsel acceptable to the Association showing, on
behalf of the Borrower, that this Amending Agreement has been duly
authorized by, and executed and delivered on behalf of, the Borrower
and is legally binding upon the Borrower in accordance with its
terms.

Section 2.03. This Amending Agreement shall come into force
and effect on the date upon which the Association dispatches to the
Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect as if this Amending Agreement had not been executed.

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Ismail Ould Yahi
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. R. Haycox
Regional Vice President
Africa
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 24, 1986, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has contracted a loan with the African Development Fund (AfDF) and the OPEC Fund for International Development (OPEC Fund) (the AfDF Loan and the OPEC Fund Loan) for an amount equivalent to US$6.3 million and US$2 million, respectively; and a grant with the Kingdom of Norway (Norway) for an amount of Nkr 14 million (the Norwegian Grant) to assist in financing the Project on the terms and conditions set forth in agreements entered into in this regard between the Borrower, on the one hand, and AfDF, OPEC Fund and Norway, respectively, on the other (the AfDF Loan Agreement, the OPEC Fund Loan Agreement and the Norwegian Grant 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the deletion of the last sentence of Section 3.02 (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 and acronyms have the following meanings:
(a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the aggregate of the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters, dated December 2, 1986 and February 12, 1982; August 4, 1984 and August 16, 1984; and May 8, 1985 and June 4, 1985; between the Borrower and the Association;

(c) "MDRE" means the "Ministère du Développement Rural et de l'Environnement", the Ministry of Rural Development and Environment of the Borrower;

(d) "DRAP" means Direction des Ressources Agro-Pastorales of the Borrower's Ministère du Développement Rural et de l'Environnement;

(e) "UM" (Ouguiyas Mauritaniens) means the currency of the Borrower;

(f) "PCA" means regional Pastoral Cooperative Association as established under the Project; and

(g) "Agricultural Services Project" means the Project implemented pursuant to the April 26, 1994 Development Credit Agreement between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million two hundred thousand Special Drawing Rights (SDR 7,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in
Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in convertible ouguiyas a special deposit account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 1995 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 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 on the principal amount of the Credit not withdrawn from time to time.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled; 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the
Borrower shall repay the principal amount of the Credit in
semiannual installments payable on each May 15 and November 15
commencing May 15, 1996, and ending November 15, 2035. Each
installment to and including the installment payable on November 15,
2005, shall be one-half of one per cent (1/2 of 1%) of such
principal amount, and each installment thereafter shall be one and
one-half per cent (1-1/2%) of such principal amount.

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

(c) If, at any time after a modification of terms pursuant

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terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MDRE with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and ecological practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. Two and a half (2-1/2) years after the Effective Date, the Borrower shall undertake an in-depth review of the Project and shall submit to the Association within four (4) months a report thereon for its review and comments. Without limitation to the generality of the foregoing, said report shall contain a detailed examination of: (a) the viability of all parts of the Project; (b) the progress of establishment of PCAs and the estimated rate of their future establishment; and (c) the results of the systems studies and their implications for the Project design. Said report shall establish an assessment of the Project's performance in accordance with key performance criteria agreed upon with the Association.

Section 3.04. In order to carry out Part A of the Project, the Borrower undertakes that, at the time of their establishment, each PCA will be granted legally enforceable grazing, stock-water and fuel-wood exploitative rights, including the right to negotiate access to its respective area.
Section 3.05. The Borrower undertakes that the slaughterhouse constructed under Part B of the Project will be operated on a commercial basis and will charge fees allowing full cost recovery including amortization.

Section 3.06. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall establish a detailed vehicle inventory and vehicle use control, covering all vehicles acquired with the proceeds of the Credit, and shall enforce such control thereafter.

Section 3.07. The Borrower undertakes that, except for technical requirements and quality control, there will be no restrictions on private trade in veterinary drugs and vaccines or animal feeds.

Section 3.08. The Borrower undertakes not to distribute drugs, vaccines and feed, including those received as foreign assistance, in areas serviced by PCAs.

Section 3.09. Without limitation upon the provisions of Article IX of the General Conditions, 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;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said accounts and the audit thereof and said records as the Association shall from time to time reasonably request.

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

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

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

(iii) enable the Association's representatives to examine such records; and
(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Range Management Section and the Stock-water Section have been established in the Agricultural and Pastoral Development Division in MDRE;

(b) the AfDF Loan Agreement and the OPEC Fund Loan Agreement have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Borrower to make withdrawals thereunder, except for the effectiveness of the Development Credit Agreement, have been fulfilled; and

(c) DRAP's Construction Engineer and the Project Coordinator and Financial Controller have been appointed.

Section 5.02. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Ministre du Plan of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.
Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère du Plan
B.P. 238
Nouakchott
Islamic Republic of Mauritania

Cable address:  
Telex:

MPDI
540 MTN
Nouakchott

For the Association:

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

Cable address:  
Telex:

INDEVAS
440098 (ITT)
Washington, D.C. 248423 (RCA) or
64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Messoud Ould Boulkheir
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Wilfried P. Thalwitz
Regional Vice President
Western 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil Works for Part A</td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services and Studies for Part A</td>
<td>2,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part A</td>
<td>1,690,000</td>
<td></td>
</tr>
<tr>
<td>(b) Per Memoriam</td>
<td>510,000</td>
<td>0%</td>
</tr>
<tr>
<td>(4) Refund of Project Preparation Advance</td>
<td>400,000</td>
<td>Amount due pursuant to Section 2.02 (c) of this Agreement</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>(6) Goods and equipment</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>7,200,000</strong></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the term "incremental operating costs" means expenditures in respect of items such as personnel salaries and travel allowances, audit fees, training programs, fuel and vehicle equipment maintenance cost, and office rent and supplies, under Category (3) (a) of the table set forth in paragraph (1) of this Schedule.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.
SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) promote livestock husbandry; (ii) reduce degradation and improve management of grazing areas; (iii) encourage establishment of autonomous PCAs; and (iv) provide training and other services to members of PCAs.

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: Establishment of Pastoral Cooperative Associations

1. Establishment of PCAs formed by pastoralists within homogenous areas and provision of technical support, equipment, supplies and consultants services thereto;

2. promotion of a regulatory framework allowing PCAs to test land- and water-use agreements developed by themselves;

3. implementation of a rural water supply program;

4. implementation of pilot operations carried out by PCAs, comprising, inter alia: (i) mini-projects; (ii) establishment of range land management perimeters; (iii) hay harvesting operations; and (iv) provision of livestock supplies; and

5. provision of extension and training services to PCAs in close coordination with the Agricultural Services Project.

Part B: Slaughterhouse

Design, construction and operation of a new slaughterhouse in Nouakchott.

* * *

The Project is expected to be completed by December 31, 1994.
Section I. Procurement of Goods and Works

Part A. International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

   (a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances, and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part E.1 (a) of this Section, the Association’s prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and (ii) any subsequent extension of the bid validity period.

   (b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost the equivalent of $100,000 or more each.
Part B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Mauritania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C. Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D. Other Procurement Procedures

1. Goods and works estimated to cost the equivalent of more than $50,000 up to an amount not to exceed the equivalent of $100,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of suppliers acceptable to the Association and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Goods and works estimated to cost less than the equivalent of $50,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part E. Review by the Association of Procurement Decisions

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

   (a) With respect to each contract estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, required to be furnished to the Association pursuant to said paragraph 2 (d), shall be furnished to
the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ experts and consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Experts and consultants to be financed out of the proceeds of the Credit shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of
consulting firms estimated to cost less than $10,000 equivalent each, or (b) contracts for the employment of individuals estimated to cost less than $5,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to $10,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to $5,000 equivalent or above.
SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

   (a) the term "Category" means a category of items to be financed out of the proceeds of the Credit as 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 Categories (1) through (4) in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term "Authorized Allocation" means an amount in convertible ouguiyas equivalent to US$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US$50,000 until the aggregate amount of withdrawals shall be equal to or exceed the equivalent of SDR 5,000,000.

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

   (b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of $20,000 shall be made exclusively out of the Special Account. The Association may, from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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

   (a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits into the Special Account of an amount or amounts determined by the Association to be required to pay for eligible expenditures during the four months following the date of each such request which amount shall 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 Association shall have determined to be so required.

(c) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Except as the Association may otherwise agree, each such deposit shall be withdrawn by the Association from the Credit Account under the respective Categories (1) through (3), and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when any of the following situations first arises:

(i) the Association shall have determined that all further withdrawals can be made directly by the
Borrower 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;

(ii) 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;

(iii) 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; and

(iv) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect of the Project, shall be the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to Categories (1) through (3) for the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Except as the Association shall otherwise agree, 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 have been or 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 any expenditures or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

[Signature]

FOR SECRETARY