

CONFORMED COPY

CREDIT NUMBER 1983 YAR

(Eastern Region Agricultural Development Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 24, 1989

CREDIT NUMBER 1983 YAR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 24, 1989, between YEMEN ARAB REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 Develop-

ment Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ARA" means the Agricultural Research Authority established and operating under the Borrower's Law No. 32 of 1983;

(b) "CACB" means the Cooperative and Agricultural Credit Bank established and operating under the Borrower's Law No. 39 of 1982;

(c) "ERADA" means the Eastern Region Agricultural Development Authority, a semi-autonomous government authority established and operating under the Borrower's Law No. 23 of 1987;

(d) "GOAL" means the General Organization of Antiquities and Libraries established and operating under the Borrower's Law No. 51 of 1977;

(e) "LCCD" means the Local Councils for Cooperative Development, established and operating under the Borrower's Law No. 12 of 1985;

(f) "MAF" means the Ministry of Agriculture and Fisheries of the Borrower;

(g) "Marib Scheme" means the Marib Dam, diversion structures from Wadi Adhanah, and the conveyance and distribution system consisting of primary, secondary and tertiary canals;

(h) "Project Area" means an area of about 90,000 hectares in the Marib and Al-Jawf Governorates;

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 16, 1988 and June 16, 1988 between the Borrower and the Association; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million Special Drawing Rights (SDR 11,000,000).

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 shall, for the purposes of the Project, open and maintain in United States dollars a special account in the Central Bank of Yemen 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 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(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 January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 1999 and ending January 15, 2029. Each installment to and including the installment payable on January 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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 the Project through ERADA (except for Parts D and E (3) thereof, which shall be carried out by ARA) with due diligence and efficiency and in conformity with appropriate agricultural, engineering, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for 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 the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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. The Borrower shall make arrangements satisfactory to the Association for the provision to CACB of funds, facilities, services and other resources necessary or appropriate to enable CACB to provide credit facilities to farmers in the Project Area required to finance on-farm irrigation investments, new orchards and machinery.

Section 3.04. (a) Until the Closing Date, the Borrower shall:

- (i) by September 30 of each year or such later date as the Association may agree, furnish to the Association for its concurrence, ERADA's and ARA's proposed annual work programs for the agricultural services to be provided under the Project and proposed budgetary allocations for the carrying out of said programs during the following year; and
- (ii) by December 31 of each year or such later date as the Association may agree, ensure that annual budgetary allocations required for the carrying out of the said programs during the following year are made.

(b) After the Closing Date, the Borrower shall allocate to ERADA and ARA adequate resources to cover the recurrent costs of providing agricultural services in the Project Area.

Section 3.05. The Borrower shall, by December 31, 1989 or such later date as the Association shall agree, establish guidelines satisfactory to the Association for the selection, handling and use of plant protection chemicals in the Project Area and shall take all measures necessary to ensure adherence to said guidelines.

Section 3.06. (a) Except as the Association shall otherwise

agree, the Borrower shall cause ERADA to take, from time to time after completion of construction of tertiary canals, all such measures (including, without limitation, adjustments of the level of water tariffs) as shall be required to recover from each tertiary collective unit: (i) the cost of tertiary canals for such tertiary collective unit and (ii) the cost attributed to such tertiary collective unit of operation and maintenance of the Marib Scheme.

(b) On the basis of forecasts prepared by ERADA and satisfactory to the Association, (i) the Borrower shall cause ERADA to review with the Borrower and the Association, before September 30, 1992 and September 30, 1995 the adequacy of water tariffs to meet the requirements set forth in paragraph (a) of this Section in respect of the next following three fiscal years, and (ii) when such review indicates that such revenues would not be sufficient to meet such requirements, determine, in consultation with the Association and before the beginning of the following fiscal year, the measures to be taken to meet such requirements and the time schedule for the implementation thereof.

(c) For the purposes of this Section:

- (i) the term "cost of tertiary canals" shall mean for each tertiary collective unit the aggregate cost of design, supervision and construction of tertiary canals built by ERADA for such collective unit, together with service charges at a rate of 7 percent per annum, collected over an eight-year period.
- (ii) the term "cost attributed to operation and maintenance of the Marib Scheme" shall mean all expenses related to the Marib Scheme of ERADA's Operation and Maintenance Department, including provisions for replacement of the following capital items used for operation and maintenance of the Marib Scheme: vehicles, equipment, houses, workshops and furniture.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause ERADA and ARA to maintain in accordance with sound accounting practices (i) adequate records and accounts on their operations and financial condition and (ii) separate Project records and accounts adequate to reflect their operations, resources and expenditures in respect of the Project.

(b) The Borrower shall cause ERADA and ARA to:

- (i) have their records, accounts and, in the case of ERADA, financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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 nine months after the end of each such year: (A) certified copies of ERADA's financial statements for such year as so audited, and (B) 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 such records, accounts, financial

statements and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have entered into a contract satisfactory to the Association for the execution of the works required to ensure the safety of the Marib Dam and appurtenant structures.

Section 5.02. The date 180 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 Minister of Development and Chairman of the Central Planning Organization 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:

Central Planning Organization
P.O. Box 175
Sana'a
Yemen Arab Republic

Cable address:

CENPLAN
Sana'a

Telex:

2266 CENPLAN YE

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

YEMEN ARAB REPUBLIC

By /s/ Mohsin A. Alaini
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ardy J. Stoutjesdijk
Acting Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|---|
| (1) (a) Civil works for ERADA under Parts A (1), A (4), B (1) and C (1), | 2,200,000 | 77% |
| (b) Civil works for ARA under Part D (1) | 1,240,000 | 77% |
| (2) Civil works for tertiary canals under Part C (3) | 590,000 | 77% |
| (3) (a) Vehicles, machinery, equipment, furniture and spare parts for ERADA | 2,000,000 | 100% of foreign expenditures and 80% of local expenditures |

| | | | |
|-----|---|---|--|
| | (b) Vehicles, machinery, equipment, furniture and spare parts for ARA | 700,000 | 100% of foreign expenditures and 80% of local expenditures |
| | | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
| (4) | (a) Technical assistance and training for ERADA | 2,200,000 | 100% of foreign expenditures and 90% of local expenditures |
| | (b) Technical assistance and training for ARA | 600,000 | 100% of foreign expenditures and 90% of local expenditures |
| (5) | Refunding of Project Preparation Advance | 290,000 | Amount due pursuant to Section 2.02 (b) of this Agreement |
| (6) | Unallocated | 1,180,000 | |
| | TOTAL | 11,000,000 | |

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; and

(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.

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 increase agricultural productivity within the Project Area, to develop agricultural resources, and to strengthen institutional capabilities for regional extension activities, agricultural research and operation and maintenance services in the Project Area.

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: Agricultural Development

Strengthening the regional development of agriculture in the Project Area, through:

1. Provision to ERADA of headquarters in Marib, furniture, vehicles and equipment.

2. Development of a program to ensure proper planning, monitoring and evaluation and effective coordination of agricul-

tural activities in the Project Area.

3. Establishment of an engineering service for maintenance of ERADA's facilities, provision of assistance to LCCD's and the design of farm irrigation works in the Project Area.

4. Establishment of a mother tree orchard to produce nursery trees in the Project Area.

Part B: Agricultural Extension Services

The strengthening of agricultural extension services in the Project Area, through:

1. Construction of buildings, including approximately nine extension centers and one block center and provision of furniture, vehicles and equipment.

2. Provision of technical assistance to farmers in the Project Area.

3. Provision of veterinary services for routine vaccination, parasite control, animal treatment, and improvement of clinical and surgical treatment in coordination with MAF.

Part C: Marib Scheme Development

The strengthening of operation and maintenance services for overall management of the Marib Scheme and development of a tertiary distribution system, through:

1. Construction of buildings and provision of furniture, equipment and vehicles for operation and maintenance activities.

2. Operation and maintenance of (a) the Marib Scheme, (b) meteorological and gauging stations, and (c) ERADA's vehicles, equipment and machinery.

3. Design of the tertiary canal distribution system for irrigation of approximately 4,250 hectares and construction of tertiary canals.

4. Monitoring of the hydrology of the catchment area of the Marib Scheme, including recharge and abstraction of underground water within the Marib Scheme command area.

Part D: Agricultural Research

The strengthening of ARA's agricultural research capabilities in the Project Area, through:

1. Construction of offices, ancillary research facilities and houses for ARA's regional headquarters in Marib, and in the Al-Jawf Governorate, and provision to ARA of furniture, farm and laboratory equipment and vehicles.

2. Establishment of research units to test agronomic practices in accordance with regional requirements and priorities.

3. Establishment of a regional plant protection unit to monitor potential aquifer contamination due to fertilizer and pesticide use.

Part E: Technical Assistance and Training

Provision of technical assistance and training for carrying out the Project, consisting of:

1. Provision of technical assistance in the areas of management, agricultural development, agricultural extension, animal husbandry and veterinary services, flood protection, preservation of archeological sites, engineering, irrigation improvement and

operation and maintenance services.

2. Provision of short-term training in project-related technology and methodology, including agriculture, irrigation and operation and maintenance for the Marib Scheme.

3. Provision of technical assistance and training in the area of agricultural research.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C 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 1985 (the Guidelines).

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

Part B: 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 C: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Yemen Arab Republic 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 D: Other Procurement Procedures

1. Local competitive bidding:

Contracts for works estimated to cost the equivalent of not more than \$400,000 per contract and \$3,500,000 in the aggregate may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Local shopping:

Contracts for vehicles, small machinery and engineering instruments estimated to cost the equivalent of not more than \$600,000 in the aggregate may be awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract for civil works estimated to cost the equivalent of \$400,000 or more and with respect to each contract for goods estimated to cost the equivalent of \$250,000 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 5 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. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts A (2), A (3), B (2), B (3), C (2), C (3), C (4), D (2), D (3) and E of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

1. (a) The Borrower shall establish an Advisory Council for the purposes of ensuring the proper operation of the Marib Scheme and the distribution of water according to an agreed irrigation plan. The Advisory Council shall consist of representatives from the Marib Governorate, the Ministry of Interior, ERADA, ARA, CACB, and farmers' representatives in the Project Area. The Advisory Council shall appoint a Technical Committee with composition and functions acceptable to the Association to assist in preparing the operation plans of the Marib Scheme and to provide technical support to the Advisory Council.

(b) Prior to releasing water to each tertiary collective unit, ERADA shall ensure that: (i) tertiary canals have been constructed in accordance with ERADA's design specifications; (ii) tertiary collective units have elected an official to represent the unit with ERADA; and (iii) tertiary collective units have contracted to distribute water and to operate and maintain the tertiary canals in accordance with ERADA's requirements for the Marib Scheme.

2. The Borrower shall complete repair of damage to the B Canal located in the northern area of the Marib Scheme and shall complete flood protection measures for such canal according to a schedule satisfactory to the Association.

3. The Borrower shall cause ERADA to strengthen its Operation and Maintenance Service Department with duly qualified and

experienced staff for the purpose of carrying out Part C (2) of the Project. The Operation and Maintenance Service Department shall consist of three units: (i) the Headwork Unit with responsibility for operation and maintenance of the Marib dam and its appurtenant structures, the wadi bed, the A and B diversion structures, the aquifer recharge, and the meteorological and gauging stations in the catchment area of the Marib dam; (ii) the Irrigation Unit with responsibility for operation and maintenance of the primary and secondary canals, including outlets for delivery of water to tertiary canals; and (iii) the Workshop Unit with responsibility for operation and maintenance of ERADA's vehicles, equipment and machinery.

4. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall provide to the Association for its review and comments, by September 30 of each year, a semiannual progress report, and by March 30 of each year, an annual progress report, in form and substance satisfactory to the Association, covering the semiannual period ending June 30 and the annual period ending December 31.

5. The Borrower shall, by June 30, 1989, carry out an archaeological and historical sites survey in the Project Area in cooperation with GOAL. Following completion of such archaeological and historical sites survey, the Borrower shall exchange views with the Association on the findings and recommendations thereof. Thereafter, the Borrower shall carry out, on the basis of such recommendations and exchange of views, an archaeological and historical sites mitigation plan for conservation of archaeological and historical sites.

6. The Borrower shall provide to the Association for its review and comments by June 30, 1992 the findings of a mid-term review of the Project and the recommendations based thereon. Thereafter, the Borrower shall cause ERADA and ARA to implement such recommendations, taking into account the Association's comments thereon.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, with-

draw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

refund, as the case may be.

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

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

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

