

COMFORMED COPY

CREDIT NUMBER 2044 NEP

(Engineering Education Project)

between

KINGDOM OF NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 18, 1989

CREDIT NUMBER 2044 NEP

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 18, 1989, between KINGDOM OF NEPAL (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 intends to contract with the Canadian International Development Agency (CIDA) a grant in the amount of Canadian Dollars four million nine hundred eighty thousand (CAD 4,980,000) to assist in the financing of the technical assistance under Parts D (ii) and D (v) of the Project on terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA; and

(C) the Borrower intends to contract with the Government of the Swiss Confederation (Switzerland), acting through the Swiss Development Cooperation (SDC), a non-reimbursable contribution in the amount of Swiss Francs thirteen million seven hundred thousand (SF 13,700,000) to assist in the financing of civil works under Part A of the Project and the technical assistance under Parts D (i), D (iii) and D (iv) of the Project on terms and conditions set forth in an agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and Switzerland;

(D) Switzerland intend to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements; 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 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Special Accounts" means the accounts referred to in Section 2.02 (c) of this Agreement;

(b) "Nepal Rastra Bank" means the central bank of the Borrower established and operating under the Borrower's Nepal Rastra Bank Act, 2012 (1955);

(c) "Institute of Engineering" means the institute established in 2028 (1972) within the Borrower's Tribhuvan University for purposes of training engineering manpower required for the development of Nepal;

(d) "Project Implementation Unit" means the unit to be established pursuant to the provisions of Section 3.03 of this Agreement;

(e) "Swiss Contribution Account" means the account established by Switzerland for the purpose of the Swiss Contribution; and

(f) "Procedural Arrangements" means the agreement between the Government of the Swiss Confederation and the Association, dated April 9, 1987, for cooperation in the cofinancing of specific projects or programs within the framework of the Eight IDA Replenishment.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million eight hundred thousand Special Drawing Rights (SDR 8,800,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution 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 and the Swiss Contribution.

(b) Except as the Association and Switzerland shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed mutatis mutandi by the provision of Article V of the General Conditions.

(c) The Borrower shall, for the purposes of the Project, open and maintain the following two special accounts in the Nepal Rastra Bank on terms and conditions satisfactory to the Association: (i) a special account in dollars, called the Association Special Account; and (ii) a special account in Swiss Francs, called the Swiss Special Account. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 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; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 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 April 15 and October 15, commencing October 15, 1999 and ending April 15, 2029. Each installment to and including the installment payable on April 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. 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, and shall cause the Institute of Engineering to carry out, the Project with due diligence and efficiency and in conformity with appropriate financial, administrative and educational practices, and shall provide, promptly as needed, the funds, facilities, staff, 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 and the Swiss Contribution shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall establish and thereafter maintain, within its Institute of Engineering, a unit headed by an experienced and qualified officer as Project Coordinator, satisfactory to the Association, such unit to be assigned, at all times, with such powers, functions, responsibilities, funds, staffing and other resources as shall be required to enable it to carry out the Project.

Section 3.04. The Borrower shall carry out the management reorganization of the Institute of Engineering under Part C of the Project in accordance with a program and time-table satisfactory to the Association.

Section 3.05. The Borrower shall take all such action as shall be necessary to:

(a) by July 31, 1993, ensure that applicants to degree programs in the Institute of Engineering shall pass a single admission test; and

(b) by July 31, 1993, ensure that academic regulations provide that in degree and certificate programs in the Institute of Engineering, students shall have passed the examination(s) of

pre-requisite courses before they are allowed to take follow-up courses.

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 Accounts 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 twelve months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request, including without any limitation on the foregoing, unaudited Project accounts and financial statements for each fiscal year, certified as to their accuracy and authenticity by an independent auditor acceptable to the Association, as soon as available, but not later than six months after the end of each such year.

(c) For all expenditures with respect to which withdrawals from the Credit Account or the Swiss Contribution Account 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 accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account and the Swiss Contribution 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that:

- (a) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified:

- (a) any event specified in paragraph (a) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

- (a) that all conditions of effectiveness of the CIDA Grant Agreement and the Swiss Contribution Agreement, other than the effectiveness of this Agreement, if that be the case, have been met; and

- (b) that the Project Implementation Unit has been established pursuant to Section 3.03 of this Agreement and the following key officers with qualifications and experience satisfactory to the Association have been appointed: Project Coordinator, Deputy Project Coordinator, Project Architect, Educational Officer, Procurement Officer, Administrative Officer and Fiscal Officer.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. In the event that Switzerland or the Association terminate the functions of the Association pursuant to paragraph 5 of the Procedural Arrangements, the Association shall promptly notify the Borrower of such event.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
His Majesty's Government of Nepal
Kathmandu
Nepal

Cable address:

ARTHA
Kathmandu, Nepal

Telex:

2249 NP

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.

KINGDOM OF NEPAL

By /s/ Mohan Man Sainju
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Amnon Golan
Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit
and of the Swiss Contribution

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

Amount of the Credit Allocated (Expressed in SDR	Amount of the Swiss Contribution Allocated (Expressed in	% of Expenditure
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Category	Equivalent)	Swiss Francs)	to be Financed
(1) Civil works		8,080,000	80%
(2) Furniture	680,000		100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 70% of local expenditures for other items procured locally
(3) Equipment	5,240,000		100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 70% of local expenditures for other items procured locally

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs)	% of Expenditure to be Financed
(4) Consumable materials	80,000		100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 70% of local expenditures for other items procured locally
(5) International fellowships under Part D (iii) of the Project		300,000	100%
(6) Regional fellowships under Part D (iii) of the Project		1,700,000	100%
(7) Local specialists under Part D (vi) of the Project	170,000		100%
(8) Foreign specialists under Parts D (i), D (iii) and D (iv) of the Project		1,800,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs)	% of Expenditure to be Financed
(9) Books	970,000		100%
(10) Local training	590,000		100%
(11) Professional services under Parts D (i) and D (iv) of the Project		700,000	100%
(12) Incremental operating and main- tenance costs, including staff salaries and allowances, materials, and services, and vehicles	230,000		80% FY 1990, FY 1991, 60% FY 1992, FY 1993 40% FY 1994, FY 1995 20% FY 1996, FY 1997
(13) Unallocated	840,000	1,120,000	
TOTAL	8,800,000	13,700,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the acronym "FY" means the Borrower's financial year.

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 assist the Borrower to increase the supply of engineers and technicians in Nepal, and improve the quality of teaching and the management of the Institute of Engineering.

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: Facilities Development

Expanding the enrollment capacity of the technician training

programs from about 1370 to about 1700 students, and that of the engineering education programs from about 360 to about 920 students through, inter alia, the construction, rehabilitation and maintenance of the teaching facilities at the Pulchowk Campus, the Thapathali Campus and the Pokhara Campus of the Institute of Engineering.

Part B: Educational Development

Enhancement of the quality of engineering education through, inter alia, training of about 125 teaching and support staff of the Institute of Engineering, improved curricula and provision of educational materials.

Part C: Institutional Development

Strengthening of the management, organization and functions of the Institute of Engineering, through, inter alia, reorganizing the management structure by establishing and staffing the position of three Associate Deans, training of staff, developing a management information system and establishment of the Manpower Development Unit.

Part D: Technical Assistance

Provision of technical assistance for: (i) architectural services, construction, renovation and maintenance of facilities under Part A of the Project; (ii) staff development for the degree programs under Part B of the Project through international fellowships, curriculum development, equipment specifications and laboratory design, and provision of visiting professors for the degree programs; (iii) staff development for the degree and certificate programs under Part B of the Project through regional fellowships for the degree programs, and regional and international fellowships for the certificate programs, and curriculum development for the certificate programs; (iv) Project management; (v) development of institutional management and administration under Part C of the Project; and (vi) development of a management information system under Part C of the Project.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Nepal 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 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. Contracts for civil works for the renovation of the existing facilities at the Pulchowk Campus, the Thapathali Campus and the Pokhara Campus may be let on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for equipment, furniture and consumable materials estimated to cost the equivalent of \$ 200,000 each or less may be let on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.

3. Minor and/or specialty items of equipment, furniture, and educational materials estimated to cost the equivalent of \$5,000 each or less and aggregating the equivalent of \$50,000 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 at least three qualified suppliers eligible under the Guidelines 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).

4. Contracts for books shall be let on the basis of direct purchase from the publishers or authorized distributors at the lowest possible prices on the basis of at least three price quotations, if applicable.

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 all contracts for civil works and each contract for goods estimated to cost the equivalent of \$200,000 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 Accounts, 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 Accounts 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 Accounts, 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 or the Swiss Contribution Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

3. 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 D (i), D (iii), D (iv) and D (vi) 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

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means all Categories 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 or the Swiss Contribution 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: (i) an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Association Special Account; and (ii) an amount equivalent to SF 600,000 to be withdrawn from the Swiss Contribution Account and deposited into the Swiss Special Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 in respect of each Special Account. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Swiss Contribution Account and deposit in the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts 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 or the Swiss Contribution Account 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 made out of such Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the

Credit Account or the Swiss Contribution 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 Accounts, 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 Accounts:

(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 or the Swiss Contribution 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 or the Swiss Contribution Account of the remaining unwithdrawn amount of the Credit or the Swiss Contribution 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 in respect of the respective Special Account.

Thereafter, withdrawal from the Credit Account or the Swiss Contribution Account of the remaining unwithdrawn amount of the Credit or the Swiss Contribution 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 Accounts 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 Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Accounts (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 Accounts 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 Accounts 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 Credit Account or the Swiss Contribution Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.



