

CONFORMED COPY

CREDIT NUMBER 2427 BD

Development Credit Agreement
(Second Industrial Sector Adjustment Credit)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 6, 1992

CREDIT NUMBER 2427 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 6, 1992, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated June 18, 1992, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's industrial sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in two tranches as hereinafter provided;

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 modifications thereof

set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "Bangladesh Bank" means the bank called the Bangladesh Bank established by the Borrower's Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) for the purpose of carrying out the business of central banking;

(b) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

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

(d) "Fiscal Year" means the Fiscal Year of the Borrower beginning on July 1 of a calendar year and ending on June 30 of the following calendar year;

(e) "Board of Investment" means the Board of Investment established under the Investment Board Act, 1989 of the Borrower;

(f) "First Tranche" means an amount equivalent to SDR 36,100,000 to be made available on or after the Effective Date upon fulfillment of the conditions set forth in Section 12.01 of the General Conditions and Section 5.01 of this Agreement; and

(g) "Second Tranche" means an amount equivalent to SDR 36,100,000 to be made available after disbursement of the First Tranche upon fulfillment of the conditions set forth in paragraph 4 of Schedule 1 to 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 seventy two million two hundred thousand Special Drawing Rights (SDR 72,200,000).

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.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special deposit account in Bangladesh 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.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of

such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 from 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 and service charges shall be payable semi-annually on each June 1 and December 1 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 June 1 and December 1 commencing December 1, 2002 and ending June 1, 2032. Each installment to and including the installment payable on June 1, 2012 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

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(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 nine 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 and accounts 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:

- (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 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 audits 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 IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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 Borrower has approved and published an operative tariff schedule for Fiscal Year 1992-93 specifying, inter alia, the rates of customs duty, value added tax, supplementary excise duty and fee for import permits and letter of credit authorizations in accordance with criteria satisfactory to the Association;

(b) the Borrower has taken steps to apply the system of advance income taxation to cover all taxpayer-importers;

(c) the Borrower has revised its Import Policy Order, in a manner satisfactory to the Association, to provide, inter alia, for (i) abolishing quantitative restrictions on imports of all items except those acceptable to the Association and has codified such exempted items; and (ii) streamlining import procedures, in a manner satisfactory to the Association, including eliminating restrictions relating to the use of local agents, import permits and opening of letters of credit, system of import passbooks and entitlements with respect to uncontrolled items, and Foreign-invested firm's production capacity; and (iii) streamlining the procedures relating to import of second-hand and job-lot goods and import of pharmaceutical inputs in a manner Satisfactory to the Association;

(d) the Borrower has: (i) adopted an export development strategy for 1992-2000 satisfactory to the Association; and (ii) made progress, satisfactory to the Association, in implementing such strategy;

(e) the Borrower has (i) formulated and publicly announced a plan of action, including a timetable for implementation, satisfactory to the Association, for purposes of removing legal, regulatory and procedural obstacles to industrial development, and improving the incentives framework for such development; and (ii) made progress, satisfactory to the Association, in implementing such plan;

(f) the Borrower has undertaken and completed a study to formulate proposals for promotion of domestic and foreign investment and has prepared a plan of action, satisfactory to the Association, based on the results of such study;

(g) the Borrower has: (i) reorganized with a new mandate and restaffed the Secretariat of the Board of Investment in a manner satisfactory to the Association; and (ii) mobilized technical assistance, satisfactory to the Association, for purposes of restructuring the operations of the Board of Investment;

(h) the Borrower has imposed an excise tax during Fiscal Year 1992-93 on domestically produced yarn and textile products;

(i) the Borrower has established and made operational a system, satisfactory to the Association, for reconciling assessments and receipts of import taxation and initiated training of staff of its National Board of Revenue for such purpose;

(j) the Borrower has: (i) publicly announced a program, satisfactory to the Association, to establish a reformed National Tariff Commission; (ii) established such Commission in accordance with such announcement and has commenced its operations with policy and operational guidelines, work program, functions, management and technical staff, and budgetary support satisfactory to the Association; and (iii) mobilized technical assistance, satisfactory to the Association, to assist such commission in its operations; and (iv) publicly announced its medium term trade reform objectives, including the goal of reducing effective protection to low levels prevailing in internationally competitive developing countries;

(k) the Borrower has commenced a study under terms of reference, satisfactory to the Association, on the scope and implementation of industrial regulations relating to environment and safety;

(l) the Borrower has taken steps, satisfactory to the Association, for a more flexible management of the exchange policy and control regime to assist in the process of deregulation of private enterprise, including: (i) allowing exporters to retain at least 5 percent of gross proceeds in foreign exchange to facilitate their business activities; (ii) issuing guidelines and procedures, satisfactory to the Association, for foreign exchange remittances related to suppliers' credit and other foreign borrowings, technology transfer payments, expatriate employees' savings, foreign training and consultancy expenses, and dividends and capital gains; and (iii) liberalizing term borrowing by foreign firms from domestic banks;

(m) the Borrower has commenced a study under terms of reference, satisfactory to the Association, on the incentives provided by the fiscal regime for development of efficient enterprises;

(n) the Borrower has made arrangements, satisfactory to the Association, for: (i) strengthening the legal drafting staff in its Ministry of Law and Justice; and (ii) establishing a judicial training institute;

(o) the Borrower has formulated a program of reform of business law, legal institutions, and legal and administrative procedures satisfactory to the Association;

(p) the Borrower has amended its Industrial Policy 1991 in a manner satisfactory to the Association;

(q) the Borrower has made operational a scheme for voluntary pre-shipment inspection and duty assessment of imports; and

(r) the Borrower has established and made operational an expanded special bonded warehouse scheme satisfactory to the Association.

Section 5.02. 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.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Secretary or Additional Secretary or any Joint Secretary, Deputy Secretary or Assistant Secretary of the Economic Relations Division of the 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Relations Division
Ministry of Finance
Government of the People's
Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ

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:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHERE OF, 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.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ K. M. Ejazul Huq

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jochen Kraske

Acting Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semi-precious stones, unworked or worked
718	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, nonmonetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement;

(d) expenditures for goods procured by the public sector and the private sector under contracts costing less than \$50,000 equivalent and \$15,000 equivalent respectively;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(g) expenditures in excess of an aggregate amount equivalent to \$7,000,000 for petroleum products and private sector imports of foodstuffs;

(h) expenditures for foodstuffs procured by the public sector; and

(i) expenditures in excess of SDR 9,025,000 out of the First Tranche and in excess of SDR 9,025,000 out of the Second Tranche for goods procured by the public sector.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$100,000 may be required by the Association to be upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 36,100,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

- (i) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program;
- (ii) with the progress achieved by the Borrower in the carrying out of the Program; and
- (iii) that the actions described in Schedule 3 to this Agreement have been taken.

5. If, after the exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association; and

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Association may be used where considered appropriate under paragraph 3.5 of the Guidelines.

3. Subject to the prior approval of the Association, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association, in accordance with procedures acceptable to the Association.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraph 5 of this Schedule shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

SCHEDULE 3

Actions referred to in Paragraph 4 (iii) of Schedule 1 to this Agreement

1. The Borrower has approved and published an operative tariff schedule for Fiscal Year 1993-94 specifying, inter alia, the rates of customs duty, value added tax and supplementary excise duty in accordance with criteria satisfactory to the Association.

2. The Borrower has eliminated the fee for license permits and letter of credit authorizations.

3. The Borrower has abolished quantitative restrictions on imports of all items and eliminated all import restrictions other than pre-shipment certification requirements and restrictions based on non-commercial reasons satisfactory to the Association.

4. The Borrower has continued to make progress, satisfactory to the Association, in implementing the export development strategy referred to in paragraph (d) of Section 5.01 of this Agreement.

5. The Borrower has continued to make progress, satisfactory to the Association, in implementing the plan of action for industrial development referred to in paragraph (e) of Section 5.01 of this Agreement.

6. The Borrower has continued to take steps, satisfactory to the Association, for a more flexible management of the exchange policy and control regime.

7. The Borrower has established and made operational a scheme for pre-shipment inspection and duty assessment of imports satisfactory to the Association.

8. The Borrower has continued to operate the system for reconciling assessments and receipts of import taxation and has reconciled at least 12 months of import data in a manner satisfactory to the Association.

9. The Borrower (a) has completed a review of the tariff and import liberalization measures introduced and proposed under the Program and published the findings of such review in the Fiscal Year 1992-1993 report of its National Tariff Commission; and (b) has published special reports on issues, inter alia, identified in the Fiscal Year 1992-93 work program of such Commission.

10. The Borrower has continued to make progress, satisfactory to the Association, in expanding the operations of the duty drawback scheme and the special bonded warehouse customs facilities.

11. The Borrower (a) has continued to operate the reorganized Board of Investment in a manner satisfactory to the Association; and (b) has made progress, satisfactory to the Association, in implementing the plan of action for investment promotion referred to in paragraph (f) of Section 5.01 of this Agreement.

12. The Borrower has completed a study on the taxation of the textile subsector and based on a review thereof has adjusted the taxes affecting the subsector to ensure full trade neutrality.

13. The Borrower has continued to operate its National Tariff Commission in a manner satisfactory to the Association.

14. The Borrower has made progress, satisfactory to the Association, in carrying out the program of legal reform formulated pursuant to the provisions of paragraph (o) of Section 5.01 of this Agreement.

15. The Borrower has: (i) completed the study referred to in paragraph (k) of Section 5.01 of this Agreement; (ii) prepared a plan of action, satisfactory to the Association, based on the results of such study; and (iii) made progress, satisfactory to the Association, in implementing such plan.

16. The Borrower has: (i) completed the study referred to in paragraph (m) of Section 5.01 of this Agreement; (ii) prepared a plan of action, satisfactory to the Association, based on the results of such study; and (iii) made progress, satisfactory to the Association, in implementing such plan.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$20,000,000 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, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

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

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

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

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

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

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

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

