

CONFORMED COPY

CREDIT NUMBER 2105 BU

Development Credit Agreement

(Transport Sector Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 20, 1990

CREDIT NUMBER 2105 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 20, 1990, between REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated February 19, 1990, from the Borrower describing a program of policies, goals and actions designed to achieve an adjustment of the Borrower's transport sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) the Borrower has contracted or intends to contract from other sources (the Cofinanciers) other financial contributions in an aggregate amount equivalent to twenty-two million Dollars (\$22,000,000) to assist in financing the Project on the terms and conditions set forth in agreements (the Cofinancing Agreements) entered into or to be entered into between the Borrower and the other Cofinanciers; 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) "MTPDU" means Ministere des Travaux Publics et du Developpement Urbain, the Borrower's Ministry of Public Works and Urban Development;

(b) "MTPT" means Ministere des Transports, Postes et Telecommunications, the Borrower's Ministry of Transport, Posts and Telecommunications;

(c) "MAE" means Ministere de l'Agriculture et de l'Elevage, the Borrower's Ministry of Agriculture and Livestock Development;

(d) "DGR" means Direction Generale des Routes, the General Directorate for Roads of MTPDU;

(e) "DGT" means Direction Generale des Transports, the General Directorate for Transport of MTPT;

(f) "OTRABU" means Office des Transports du Burundi, the Borrower's Freight Transport Board;

(g) "OTRACO" means Office des Transports en Commun, the Borrower's Passenger Transport Board;

(h) "Coffee Road Account" means the account referred to in paragraph 3 (b) (ii) of Schedule 1 of this Agreement;

(i) "Control Unit" means the unit to be established and maintained in DGR for the purpose of quantity and quality control of works as provided for in Section 3.02 of this Agreement;

(j) "Road Planning Unit" means unit, Cellule de Gestion Routiere, to be established and maintained in DGR for the purpose of roads construction and maintenance planning as provided for in Section 3.02 of this Agreement;

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

(l) "Project Account" means the account or accounts referred to in Section 3.04 (b) (i) of this Agreement;

(m) "FBu" and "Franc Burundais" mean the currency of the Borrower; and

(n) "Fiscal Year" means the fiscal year of the Borrower which runs concurrently with the calendar year.

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 this Agreement, an amount in various currencies equivalent to thirty two million seven hundred thousand Special Drawing Rights (SDR 32,700,000).

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

Dollars a special account in a banking institution satisfactory to the Association 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, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year, specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 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 March 15 and September 15, commencing September 15, 2000 and ending March 15, 2030. Each installment to and including the installment payable on March 15, 2010 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 Part A of the Project through DGT and Part B of the Project through DGR with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. The Borrower shall, for the purposes of the Project, establish and maintain in DGR two units (the Road Planning Unit and the Control Unit) each with staff, organization and functions satisfactory to the Association.

Section 3.03. (a) The Borrower and the Association shall, from time to time and in any case not later than October 31 in each year during Project implementation, starting in 1990, exchange views on the progress achieved in carrying out the Project and the Program.

(b) Prior to each such exchange of views as specified in paragraph (a) of this Section, the Borrower shall furnish to the Association the following documentation: (i) a draft three-year rolling public investment and expenditure program for MTPT and MTPDU for the period commencing on the following January 1 including a statement of the technical and economic justification for any new investment exceeding \$3,500,000 equivalent; (ii) MTPT's and MTPDU's draft budgets for the next Fiscal Year; and (iii) a draft road maintenance work program for the next Fiscal Year, including a description of activities of the brigades and contractors and a plan of utilization of the equipment and materials.

(c) In formulating MTPT's and MTPDU's budgets the Borrower shall: (i) give priority to road maintenance over new construction; and (ii) allocate every year to road maintenance not less than the equivalent of five million two hundred thousand Dollars (\$5,200,000) in constant 1989 Dollars or such other amount as shall be agreed upon by the Borrower and the Association.

(d) the Borrower shall furnish to the Association as soon as practicable after the exchange of views referred to in paragraph (a) above, but in any event before January 15 in the year following such exchange of views, the following documentation in form and substance satisfactory to the Association: (i) a three-year rolling public investment and expenditure program for MTPT and MTPDU for the period commencing January 1 in the year following such exchange of views; (ii) MTPT and MTPDU's budgets for the Fiscal Year following such exchange of views; (iii) a road maintenance work program for the Fiscal Year following such exchange of views, including a description of activities of the brigades and contractors and a plan of utilization of the equipment and materials.

Section 3.04. (a) In order to finance its share of the investment, maintenance and other operating costs under Part B of the Project and without limitation to the generality of Section 3.01 with regard to the provision of funds, the Borrower shall:

(i) make adequate allocation in its recurrent budget for salaries and office operation expenditures; and

(ii) make adequate allocation in its investment budget for all Project expenditures to be financed by the Borrower out of its own resources.

(b) In order to disburse the allocations made pursuant to paragraph (a) (ii) of this Section, the Borrower shall:

(i) open, and thereafter maintain, in FBU in the name of MTPDU/DGR-Transport Sector Project, an account or accounts (hereinafter called the Project Account) in a banking institution acceptable to the Association on terms and conditions satisfactory to the Association;

(ii) deposit into such Project Account an initial amount equivalent to 110,000,000 in constant 1989 Francs Burundais; and

(iii) thereafter deposit into the Project Account not later than March 31, June 30, September 30 and December 31 in each year during Project implementation, a sum necessary to replenish the Project Account up to the initial amount referred to in the preceding sub-paragraph.

(c) Amounts deposited into the Project Account pursuant to paragraph (b) of this Section shall be used only to make payments to meet local expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not eligible for financing under the Credit.

Section 3.05. For the purposes of Part B (3) of the Project, the Borrower shall, without limitation to the generality of the provisions of Section 3.01 of this Agreement with regard to the provision of funds and to Section 3.04 of this Agreement:

(a) set up funding mechanisms for the Coffee Road Account on terms and conditions and at a level satisfactory to the Association;

(b) after deposit of the initial amount referred to in paragraph 3 (b) (ii) of Schedule 1 to this Agreement, deposit into the Coffee Road Account, not later than March 31, June 30, September 30 and December 31 in each year during Project implementation, a sum necessary to replenish it up to the said initial amount.

Section 3.06. The Borrower shall:

(a) not later than September 30 in each year commencing in 1990, furnish to the Association a proposed training program for the following calendar year;

(b) not later than one month thereafter, exchange views with the Association on the proposed training program referred to in the preceding paragraph;

(c) not later than December 15 in each such year, furnish to the Association a finalized training program for the following calendar year satisfactory to the Association; and

(d) implement Parts A.2 and B.5 (d) of the Project in accordance with the finalized training program referred to in the preceding paragraph.

Section 3.07. 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.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such Fiscal 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 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 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 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 events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) The implementation of the Program shall have been suspended or terminated or shall have materially deviated from such Program as defined in paragraph (A) of the Preamble to this Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any of the Cofinancing Agreements shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of such Agreements.

(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.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has instituted mechanisms satisfactory to the Association to recover the cost to the Borrower of periodic and routine road maintenance from the users of such roads including, but not limited to, the setting of taxes and prices for petroleum products at a level acceptable to the Association;

(b) the Borrower has made an allocation satisfactory to the Association in its 1990 budget for the road operations of DGR and has deposited into the Project Account the initial amount referred to in Section 3.04 (b) (ii) of this Agreement;

(c) the performance contract between the Borrower and OTRACO, dated December 28, 1988 has been amended in a manner satisfactory to the Association and the tariffs charged by OTRACO have been set at a level acceptable to the Association;

(d) the Borrower has removed the ceilings for tariffs charged by private operators in passenger transport and the ceilings for tariffs charged for goods transported by road and has set the ceilings for the tariffs charged for lake transport at a level acceptable to the Association;

(e) the Road Planning Unit and the Control Unit have been established in DGR in accordance with Section 3.02 of this Agreement;

(f) the Borrower has appointed the following staff whose experience and qualifications are satisfactory to the Association: (i) two engineers for the Road Planning Unit; and (ii) three engineers for the Control Unit; and

(g) the Borrower has issued a directive satisfactory to the Association governing the granting of import licenses by the Banque de la Republique du Burundi and has published it in the local press.

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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministere des Finances
B.P. 1830
Bujumbura
Republique du Burundi

Cable address:

MINFIN
Bujumbura

Telex:

5135 MINIFIN-BDI

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.

REPUBLIC OF BURUNDI

By /s/ Julien Kavakure

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman

Acting Regional Vice President
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) Civil Works:		85%
(a) for Part B (3) of the Project	1,850,000	
(b) other	10,830,000	
(2) Equipment, materials and supplies:		100% of foreign expenditures and 80% of local expenditures
(a) for Part A (4) of the Project	1,590,000	
(b) other	3,630,000	
(3) Technical assistance	4,510,000	100% of foreign expenditures and 80% of local expenditures
(4) Studies	1,820,000	100% of foreign expenditures and 80% of local expenditures
(5) Training	760,000	100% of foreign expenditures and 80% of local expenditures
(6) Unallocated	7,710,000	
TOTAL	32,700,000	

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; 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: (a) in respect of payments made for expenditures prior to the date of this Agreement; (b) under Category (1) (a) of paragraph 1 above until: (i) an arrangement satisfactory to the Association to define the responsibilities of DGR in the carrying out of Part B (3) of the Project has been entered into between MAE and MTPDU; (ii) a Coffee Road Account to provide for the local financing of Part B (3) of the Project has been established and is satisfactory to the Association; and (iii) an initial amount equivalent to \$100,000 has been deposited in such Coffee Road Account; and (c) under Category (2) (a) of paragraph 1 above until the transport studies described under Part A.3 of the Project have been completed and the Borrower has implemented the recommendations made pursuant thereto acceptable to the Association in a manner satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are, as part of the execution of the Program: (i) to increase funding of, and to consolidate and improve, maintenance practices and institutions in the Borrower's road sector; (ii) to provide support to coffee production and marketing through improvement and maintenance of the access roads to the production areas; (iii) to develop the transport sector planning capabilities of MTPDU and MTPT; and (iv) to liberalize economic activities in the Borrower's transport sector.

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: Institutional Support and Transport Sector Investment

1. (a) strengthen the Borrower's planning capacity; (b) create a transport data base; (c) assist the Borrower's monitoring of international transport; (d) prepare international transport policies to diversify export routes and lowering transport costs; and (e) reorganize the Borrower's institutions dealing with transportation.

2. Training of DGT staff, including seminars and courses abroad.

3. Transport-related studies, including: (a) traffic conditions in Bujumbura, road safety and regulation; (b) navigation and development of fishing port facilities in Lake Tanganyika; and (c) air transport development.

4. Implementation of recommendations of studies described under the preceding paragraph.

Part B: Road Rehabilitation and Maintenance

1. Improvement and maintenance of the Borrower's paved road network.

2. Improvement and maintenance of the Borrower's unpaved road network.

3. Improvement and maintenance of access roads to coffee washing stations.

4. Studies on equipment management.

5. DGR's institutional strengthening through: (a) creation and operation of a road planning unit; (b) creation and operation of a work supervision unit; (c) technical

assistance; and (d) training.

* * *

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

2. To the extent practicable, contracts for civil works shall be grouped in bid packages estimated to cost the equivalent of \$500,000 or more each and contracts for equipment, materials and supplies shall be grouped in bid packages estimated to cost the equivalent of \$50,000 or more each.

3. Bidders for works shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Civil works estimated to cost less than the equivalent of \$500,000 and not less than the equivalent of \$50,000, up to an aggregate not to exceed the equivalent of \$15,100,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works, equipment, materials and supplies estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of 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 estimated to cost the equivalent of \$35,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph,

the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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 the carrying out of the Project, the Borrower shall employ consultants and experts 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 Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (5) 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 \$750,000 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 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; (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.