

CONFORMED COPY

CREDIT NUMBER 3684 BU

Development Credit Agreement

(Multisectoral HIV/AIDS Control and Orphans Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 2002

CREDIT NUMBER 3684 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 25, 2002, between REPUBLIC OF BURUNDI (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 Project is part of the second phase of the Multi-Country AIDS Program (MAP II) for the Africa Region, approved by the Board of Executive Directors of the Association on February 7, 2002;

(C) the Association has received from the Borrower a “National Action Plan for the Fight against HIV/AIDS 2002-2006” dated October 19, 2001, containing details of the design and content of the Borrower’s national multi-sectoral strategy to fight the HIV/AIDS epidemic that was prepared through a participatory approach under the leadership of the National Council for the Fight against HIV/AIDS (“CNLS”) (said document being hereinafter referred to as the “Program”) and declaring the Borrower’s commitment to the execution of the Program; 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 (as amended through October 6, 1999) (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) “AIDS” means the Acquired Immune Deficiency Syndrome;
- (b) “Action Plan” means any document describing a set of activities to fight against the HIV/AIDS epidemic carried out by a PSO (as hereinafter defined);
- (c) “CLS” means *Comité Local de Lutte contre le Syndrome Immuno-Déficitaire Acquis (SIDA)*, any of the Borrower’s Local Committees for the fight against HIV/AIDS, established and operating under the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;
- (d) “COCOLS” means *Comité Communal de Lutte contre le SIDA*, any of the Borrower’s Communal Committees for the fight against HIV/AIDS, established and operating under the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(e) “CNLS” means *Conseil National de Lutte contre le SIDA*, the Borrower’s National Council for the Fight against HIV/AIDS, placed under the Presidency and composed of high-level Government Officials and representatives of the civil society, in charge of providing general orientations for the Program and overseeing its implementation, and established and operating pursuant to the Borrower’s Decree No. 100/032 dated March 1, 2002, amending the Borrower’s Decree No.100/015 dated February 4, 2002, as the same may be amended from time to time, including all its branches at provincial, communal and local level such as CPLSs, COCOLSs and CLSs (as hereinafter defined);

(f) “CNLS Coordination Bureau” means the overseeing body of CNLS, established and operating pursuant to the Borrower’s Decree No. 100/032 dated March 1, 2002, amending the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(g) “CLNS General Assembly” means the plenary body of CNLS, established and operating pursuant to the Borrower’s Decree No. 100/032 dated March 1, 2002, amending the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(h) “CNLS Permanent Executive Committee” means the executive body of CNLS, established and operating pursuant to the Borrower’s Decree No. 100/032 dated March 1, 2002, amending the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(i) “CNLS Permanent Executive Secretariat” means the administrative and technical body of the CNLS, responsible for the project management, and established and operating pursuant to the Borrower’s Decree No. 100/032 dated March 1, 2002, amending the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(j) “CNLS Procedures Manual” means the manual to be adopted pursuant to Section 7.01 (b) of this Agreement and referred to in paragraph 1 of Schedule 4 to this Agreement, outlining financial, administrative, accounting and procurement procedures and guidelines to be followed in the implementation of the Project;

(k) “CNTS” means “*Centre National de Transfusion Sanguine*”, the Borrower’s national center for blood transfusion located in Bujumbura, established and operating under Decree No. 100/073 dated April 28, 1993;

(l) “CPLS” means *Comité Provincial de lutte contre le SIDA*, any of the Borrower’s Provincial Committees for the fight against HIV/AIDS, established and operating under the Borrower’s Decree No. 100/015 dated February 4, 2002, as the same may be amended from time to time;

(m) “CSO” means a civil society organization established and operating under the laws of the Borrower, including rural or urban communities, grass-root organizations, religious and cultural organizations, professional and non-professional associations, private enterprises, NGOs and community-based associations involved in the fight against HIV/AIDS and which have met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 4 to this agreement and, as a result, have received or are entitled to receive a grant (as hereinafter defined) through a Grant Agreement (as hereinafter defined) for

the carrying out of a CSO Subproject (as hereinafter defined);

(n) “CSO Subproject” means a specific Subproject for activities for the fight against HIV/AIDS, carried out by a CSO and financed, or proposed to be financed, through a grant under the Project;

(o) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(p) “Franc Burundais” or “BIF” means the currency of the Borrower;

(q) “Grant” means a grant made, or proposed to be made, to a CSO by the CNLS or its branches at the provincial, communal or local level, to finance a CSO Subproject;

(r) “Grant Agreement” means an agreement supporting a CSO Subproject between a CNLS, a CPLS or a COCOL on one hand, and a CSO on the other hand, and referred to in paragraph 4 of Schedule 4 to this Agreement;

(s) “Protocol Agreement” means an agreement supporting a PSO (as hereinafter defined) Action Plan between a CNLS, a CPLS or a COCOL on one hand, and a CSO on the other hand, and referred to in paragraphs 2 (c) and (d) of Schedule 4 to this Agreement;

(t) “HIV” means the Human Immuno-Deficiency Virus;

(u) “IEC” means information, education, communication;

(v) “Initial Deposit” means the amount to be deposited in the Project Account pursuant to Section 3.02 (b) of this Agreement;

(w) “Interim Systems Audit” means the interim systems audit for the review of implementation arrangements, financial system and flow of funds from CNLS towards CSOs and PSOs, carried out by independent auditors with terms of reference and qualifications satisfactory to the Association;

(x) “Line Ministries” means ministries which have direct contact with the Borrower’s population, such as MREC, MISP, MJGS, MDN, MPDR, MDC, MRRDR, MMPRN, MATET, MAE, MAEMAA, MTSS, MFP, MF, MBGP, MCI, MEN, MASPF, MJSC, MSP, MCPPG, MTPE, MTPT, MEM, MRIDHRP and MPVS (all hereinafter defined), and that have prepared or will prepare Action Plans in accordance with paragraph 3 of Schedule 4 to this Agreement;

(y) “Medical Waste Management Plan” means the plan acceptable to the Association for the management of hazardous health/medical waste under the Project, referred to in paragraph 1 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Medical Waste Management Plan;

(z) “Mid-term Review” means the mid-term review referred to in paragraph 6 of Schedule 4 to this Agreement;

(aa) “MREC” means *Ministère des Relations Extérieures et de la Coopération*, the

Ministry of the Borrower in charge of external relations and cooperation;

(bb) “MISP” means *Ministère de l’Intérieur et de la Sécurité Publique*, the Ministry of the Borrower in charge of interior and public security;

(cc) “MJGS” means *Ministère de la Justice et Garde des Sceaux*, the Ministry of the Borrower in charge of justice;

(dd) “MDN” means *Ministère de la Défense Nationale*, the Ministry of the Borrower in charge of national defense;

(ee) “MPDR” means *Ministère de la Planification, du Développement et de la Reconstruction*, the Ministry of the Borrower in charge of planning, development and reconstruction;

(ff) “MDC” means *Ministère du Développement Communal*, the Ministry of the Borrower in charge of communal development;

(gg) “MRRDR” means *Ministère de la Réinsertion et de la Réinstallation des Déplacés et des Rapatriés*, the Ministry of the Borrower in charge of reinsertion and resettlement of displaced persons;

(hh) “MMPRN” means *Ministère de la Mobilisation pour la Paix et la Réconciliation Nationale*, the Ministry of the Borrower in charge of peace and national reconciliation;

(ii) “MATET” means *Ministère de l’Aménagement du Territoire, de l’Environnement et du Tourisme*, the Ministry of the Borrower in charge of regional development, environment and tourism;

(jj) “MAE” means *Ministère de l’Agriculture et de l’Elevage*, the Ministry of the Borrower in charge of agriculture and livestock;

(kk) “MAEMAA” means *Ministère de l’Enseignement des Métiers et de l’Alphabétisation des Adultes*, the Ministry of the Borrower in charge of crafts and literacy programs for adults;

(ll) “MTSS” means *Ministère du Travail et de la Sécurité Sociale*, the Ministry of the Borrower in charge of employment and social security;

(mm) “MFP” means *Ministère de la Fonction Publique*, the Ministry of the Borrower in charge of civil service;

(nn) “MF” means *Ministère des Finances*, the Ministry of the Borrower in charge of finance;

(oo) “MBGP” means le *Ministère de la Bonne Gouvernance et de la Privatisation*, the Ministry of the Borrower in charge of good governance and privatization;

(pp) “MCI” means *Ministère du Commerce et de l’Industrie*, the Ministry of the

Borrower in charge of commerce and industry;

(qq) “MEN” means *Ministère de l'Éducation Nationale*, the Ministry of the Borrower in charge of national education;

(rr) “MASPF” means *Ministère de l'Action Sociale et de la Promotion de la Femme*, the Ministry of the Borrower in charge of social action and gender promotion;

(ss) “MJSC” means *Ministère de la Jeunesse, des Sports et de la Culture*, the Ministry of the Borrower in charge of youth, sports and cultural activities;

(tt) “MSP” means *Ministère de la Santé Publique*, the Ministry of the Borrower in charge of public health;

(uu) “MCPFG” means *Ministère de la Communication et Porte-parole du Gouvernement*, the Ministry of the Borrower in charge of communication and spokesperson of the Government;

(vv) “MTPE” means *Ministère des Travaux Publics et de l'Équipement*, the Ministry of the Borrower in charge of public works and equipment;

(ww) “MTPT” means *Ministère des Transports, Postes et Télécommunications*, the Ministry of the Borrower in charge of transportation and communication;

(xx) “MEM” means *Ministère de l'Énergie et des Mines*, the Ministry of the Borrower in charge of energy and mining;

(yy) “MRIDHRP” means *Ministère des Réformes Institutionnelles, des Droits de l'Homme et des Relations avec le Parlement*, the Ministry of the Borrower in charge of institutional reform, civil rights and relationships with the Parliament;

(zz) “MPVS” means *Ministère à la Présidence chargé de la lutte contre le VIH/SIDA*, the Ministry of the Borrower in charge of the fight against HIV/AIDS;

(aaa) “NGO” means a non-governmental organization, established and operating under the laws of the Borrower;

(bbb) “Orphans” means children up to the age of 16 who have lost one or both parents;

(ccc) “PLWHA” means people living with HIV/AIDS;

(ddd) “PSO” means a public sector organization, including Ministries and public agencies existing and operating under the laws of the Borrower;

(eee) “Project Account” means the account to be opened pursuant to Section 3.02 of this Agreement;

(fff) “Project Implementation Manual” means the manual to be adopted pursuant to Section 7.01 (b) of this Agreement and referred to in paragraph 1 of Schedule 4 to this Agreement, outlining policies, procedures and guidelines to be followed in the implementation

and monitoring of the Project;

(ggg) "Project Year" means the twelve-month period beginning from the Effective Date and each subsequent Project Year;

(hhh) "Sector Unit" means a team within each of the Borrower's Line Ministries, in charge of preparing and reviewing an Action Plan for said Line Ministry;

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

(jjj) "STIs" means sexually transmitted infections.

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 twenty-nine million one hundred thousand Special Drawing Rights (SDR 29,100,000).

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: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made under a Grant to meet the reasonable costs of goods, works and services required for a CSO Subproject in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006 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 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 January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2012 and ending January 15, 2042. Each installment to and including the installment payable on January 15, 2022, 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through CNLS with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and public health practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Project Implementation Manual set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of the Project:

(a) open and maintain in BIF in the name of CNLS an account (the Project Account) in a bank acceptable to the Association, on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount equivalent to fifty million BIF (BIF 50,000,000) (the Initial Deposit);

(c) thereafter deposit into the Project Account, on a semiannual basis during Project implementation, amounts as shall be required and agreed upon with the Association to timely replenish the Project Account back to the amount of the Initial Deposit; and

(d) ensure that amounts deposited into the Project Account pursuant to paragraphs (b) and (c) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not financed or to be financed by the Credit.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods,

works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the future achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

(iii) furnish to the Association such other information concerning said records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Schedule 4 of this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the projected and actual sources and uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the previously forecast and actual implementation targets; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall furnish to the Association : (a) no later than three months after the effectiveness date, and thereafter implement, the Medical Waste Management Plan, in form and substance satisfactory to the Association; and (b) no later than nine months after the effectiveness date, the Interim Systems Audit, in form and substance acceptable to the Association.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (l) 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 VII

Effective Date; Termination

Section 7.01. 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 Project Account has been opened and the Initial Deposit deposited therein;
- (b) the Borrower has adopted: (i) an accounting and financial management system for the Project, (ii) the Project Implementation Manual, (iii) the CNLS Procedures Manual, and (iv) a procurement plan for the first Project Year; all in form and substance satisfactory to the Association;
- (c) the Borrower has provided a draft of the Medical Waste Management Plan, in form and substance satisfactory to the Association; and
- (d) MASPF, MDN, MSP and MPVS have presented Action Plans for the first year of the Project to fight against HIV/AIDS, in form and substance acceptable to the Association.

Section 7.02. The date ninety days (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances
B.P. 1830
Bujumbura
République du Burundi

Telex

MINIFINBDI

Facsimile:

5135 (257) 223-827

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 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

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/ Thomas Ndikumana

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	1,540,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods:		100% of foreign expenditures and 90% of local expenditures
(a) vehicles, equipment and office supplies	4,300,000	
(b) drugs, tests and medical supplies	8,500,000	
(3) Consultants' services, audits and training	3,800,000	100%
(4) Grants for CSO Subprojects	7,700,000	100% of amounts disbursed

(5)	Operating costs	1,800,000	90%
(6)	Unallocated	1,460,000	
		<hr/>	
	TOTAL	29,100,000	
		<hr/> <hr/>	

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;

(c) the term “Operating costs” means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, communication and insurance costs, Special Account banking charges, rental expenses, office maintenance costs, utilities, travel cost for Project staff and salaries of support contractual staff for the Project, but excluding salaries of officials of the Borrower’s civil service; and

(d) the term “training” includes scholarships stipendiums, purchase of training materials, rental of training facilities, and travel costs.

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

(a) a grant under Category (4) to a CSO for a CSO Subproject under a Grant Agreement unless the Grant Agreement has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of paragraph 4 of Schedule 4 to this Agreement; and

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount of SDR 2,000,000 may be made on account of payments made for eligible expenditures before that date but after February 1, 2002.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts costing less than \$150,000 equivalent each; (b) consultant services under contracts costing less

than: (i) \$100,000 equivalent each for consulting firms, and (ii) \$50,000 equivalent each for individual consultants; and (c) CSO Subprojects, work program agreements, training and Operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (a) slowing the spread of HIV/AIDS in the Borrower's population; and (b) mitigating the impact of HIV/AIDS on persons infected with or affected by HIV/AIDS within the Borrower's territory.

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: Public Sector Response

Supporting PSOs, including all ministries, at the national, provincial, communal and local level for HIV/AIDS control activities carried out in the public sector, including the preparation and execution of Action Plans detailing, among other things, the measures to be taken by the public sector staff and the population they serve to initiate or strengthen their fight against HIV/AIDS, including: (a) conducting meetings, festivals and IEC activities on the impact of the HIV/AIDS epidemic and supporting the formal and informal education sectors to carry messages about HIV/AIDS and promote behavioral changes; (b) promoting the use of condoms through social marketing and distribution of condoms; (c) expanding counseling as well as psychological and material support for PLWHA and their families; (d) improving early detection and treatment of opportunistic infections and STIs, as well as anonymous and voluntary testing services; (e) improving safe blood transfusions; (f) controlling mother-to-child transmission through anti-retroviral therapy; (g) investing in skills training and revenue-generating activities for PLWHA and their families; (h) reviewing and, as necessary, reforming relevant laws and regulations; and (i) preparing gender-responsive sectors-specific HIV/AIDS communication plans in Line Ministries; all through the provision of technical advisory services and training, the acquisition of goods and equipment and the execution of works for the construction of CNTS and two counseling centers and for the rehabilitation and extension of existing social infrastructure.

Part B: Civil Society Response

Supporting CSOs at the national, provincial, communal and local level in their initiatives against HIV/AIDS, through control activities and the preparation and execution of Subprojects, detailing, among other things, the measures to be taken by their staff and by their members to initiate or strengthen their fight against HIV/AIDS, including: (a) conducting meetings, festivals and IEC activities on the impact of the HIV/AIDS epidemic and supporting the formal and informal education sectors to carry messages about HIV/AIDS and promote behavioral changes; (b) promoting the use of condoms through social marketing and distribution of condoms; (c) expanding counseling as well as psychological and material support for PLWHA and their

families; (d) improving early detection and treatment of opportunistic infections and STIs, as well as anonymous and voluntary testing services; (e) improving safe blood transfusions; (f) investing in skills training and revenue-generating activities for PLWHA and their families; and (g) providing home, community-based and outpatient hospital care for PLWHA; all through the provision of grants approved in accordance with the Project Implementation Manual.

Part C: Orphans Integration and Education

Investing in the social integration and education of young orphans to limit future erosion of human capital by, *inter alia*: (a) supporting their placement with foster families including extended and unrelated families; (b) providing scholarships for primary education on one hand, and vocational training on the other hand; and (c) improving economic and nutritional well being of foster families through investments and training to supplement nutrition and increase revenue-generating activities; all through the provision of technical advisory services and training, the acquisition of goods and equipment and the provision of scholarship stipends approved in accordance with the Project Implementation Manual.

Part D: Capacity Building for Program Design, Implementation, Monitoring and Evaluation

Strengthening the capacity of CNLS including PSOs and CSOs in the design, implementation, monitoring and evaluation of strategic HIV/AIDS control activities (as defined in the Program) including articulation of sector strategies, research, epidemiological surveillance and technical training of a wide range of professionals, including, but not limited to, health staff, communication specialists and social workers; all through the provision of technical advisory services and training and the acquisition of goods and equipment.

Part E: Capacity Building for Project Management and Coordination

1. Strengthening the capacity of CNLS Executive Secretariat to carry out and implement a coordination, management, monitoring and evaluation framework for the Project, through the provision of technical advisory services and training, the acquisition of goods, equipment and vehicles, and the execution of works for office rehabilitation.

2. Contracting out to external agencies and/or consulting entities to: (a) monitor and evaluate activities to ensure an independent analysis and the tracking of Program performance against targets and variations in accordance with the protocols set forth or referred to in the Project Implementation Manual; and (b) carry out project audits.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

Small office equipment, vehicles, medical products, off-the-shelf goods as well as standard specification supplies for individual contracts estimated to cost less than \$50,000, up to an aggregate amount not to exceed \$1,300,000 equivalent, may be procured in accordance with

the provisions of paragraphs 3.5 and 3.6 of the Guidelines under contracts awarded on the basis of: (a) national shopping procedures, if available locally; or (b) international shopping procedures, if not available locally.

4. Direct Contracting

Proprietary items, such as HIV/AIDS testing reagent may be procured, with the Association's prior agreement, from a particular manufacturer or an authorized local supplier in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Goods, including drugs and medical supplies, up to an aggregate amount not to exceed \$4,000,000 equivalent, may be procured from the Inter-Agency Procurement Services Office of the United Nations (IAPSO), the United Nations International Children's Fund (UNICEF), the United Nations Fund for Population Activities (UNFPA), and the World Health Organization (WHO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Community Participation

Goods and works required for CSO Subprojects shall be procured in accordance with procedures acceptable to the Association and defined in the Project Implementation Manual.

7. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded in accordance with the provisions of paragraph 3.5 of the Guidelines on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for goods or works estimated to cost the equivalent of \$150,000 or more; (b) the first three contracts for goods and the first three contracts for works under Part A of Schedule 2 to this Agreement, costing less than the equivalent of \$100,000; (c) any contract under community participation estimated to cost the equivalent of \$50,000 or more, and (d) the first five contracts for community participation costing less than \$50,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for consultant contracts estimated to cost less than \$100,000 equivalent per

contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for: (a) training; (b) consulting assignments provided by NGOs or other organization to assist in the design of PSO Action Plans and CSO Subprojects; and (c) consulting assignments estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Community Participation

Services required for CSO Subprojects shall be procured in accordance with procedures acceptable to the Association and defined in the Project Implementation Manual.

5. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines (including services for small studies) shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph.

2. Prior Review

(a) The procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply with respect to the following, namely: (i) the contracts for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more; (ii) the contracts for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (iii) all contracts procured by sole source selection.

(b) With respect to each contract for the employment of consultants and single

source selections, regardless of value, the qualifications, experience and terms of reference of the consultants shall be furnished to the Association for its prior review and approval.

(c) With respect to consultant contracts estimated to cost the equivalent of \$100,000 or more, opening of the financial envelopes will not take place prior to receiving the Bank's no-objection to the technical evaluation. With respect to consultant contracts estimated to cost less than \$100,000 for firms, the Borrower will notify the Association of the results of the technical evaluation prior to opening the financial proposals.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. General

The Borrower shall carry out the Project in accordance with the Project Implementation Manual, the CNLS Procedures Manual and the Medical Waste Management Plan, and except as the Association shall otherwise agree, shall not amend or waive any provision of these Manuals or of this Plan without the Association's prior written approval. These Manuals and this Plan will not be amended or waived if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. CNLS

(a) The Borrower shall maintain CNLS, including CNLS General Assembly, CNLS Coordination Bureau and CNLS Permanent Executive Secretariat, in a form and with functions, staffing and resources satisfactory to the Association, in accordance with the Project Implementation Manual.

(b) The Borrower shall cause: (i) CNLS General Assembly to provide general orientations for the Program; (ii) CLNS Coordination Bureau to oversee the Program implementation; and (iii) CNLS Permanent Executive Committee to supervise the Project implementation, be responsible for overall management (including approval of PSO Action Plans and CSO Subprojects for an amount equivalent to more than \$100,000) and meet at least once every month.

(c) The Borrower shall cause CNLS Permanent Executive Secretariat to carry out the daily facilitation, implementation, monitoring, evaluation and coordination of the Project,

including the approval and execution of the PSO Action Plans, CSO Subprojects, Grant Agreements with CSOs and Protocol Agreements with PSOs for an amount not to exceed \$100,000.

(d) The Borrower shall cause CPLS and COCOLS to carry out the daily facilitation, implementation, monitoring, evaluation and coordination of the Project at the provincial and communal levels, respectively, including the approval of the PSO Action Plans and CSO Subprojects, and the execution of Grant Agreements with CSOs and Protocol Agreements with PSOs for an amount not to exceed the ceilings specified in the Project Implementation Manual.

(e) Not later than December 31, 2002, and thereafter by December 31 of each year, the Borrower shall, through the CNLS Permanent Executive Secretariat, furnish to the Association for its review and approval, proposed detailed 24-month work plans, including training programs and proposed budgets in respect of Project activities for the forthcoming two years.

3. Line Ministries

Not later than December 31, 2002, and thereafter by December 31 of each year, the Borrower shall cause its Line Ministries, through their Sector Unit for the fight against HIV/AIDS, to prepare in collaboration with the CNLS Permanent Executive Secretariat and to furnish to the Association for its review and approval, their annual Action Plan for the forthcoming year.

4. CSO Subprojects

(a) Without limitation upon the provisions of paragraph 1 above, no CSO Subproject shall be eligible for financing under a grant out of the proceeds of the Grant unless the CNLS or its branches at the provincial or communal level, has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the CSO Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include the following:

- (i) the CSO Subproject shall be for any of the types of activities referred to in Part B of the Project and shall not be for any of the activities mentioned in a negative list in the Project Implementation Manual;
- (ii) the CSO Subproject shall be initiated and implemented by a CSO;
- (iii) the CSO Subproject shall be in accordance with the standards specified in the Project Implementation Manual; and
- (iv) the CSO Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to its

HIV/AIDS Program.

(b) CSO Subprojects shall be carried out pursuant to Grant Agreements, to be received, reviewed and selected, approved and executed by CNLS or its branches at the provincial or communal levels on one hand, and CSO on the other hand, under terms and conditions satisfactory to the Association, which shall include the following:

- (i) a description of the approved CSO Subproject, with its budget and its performance indicators;
- (ii) provisions requiring the financing to be made on a grant basis;
- (iii) the obligation to: (A) carry out the CSO Subproject with due diligence and efficiency and in accordance with sound administrative, technical and financial standards taking into account environmental and ecological implications and in accordance with the provisions of the Project Implementation Manual; (B) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Project Implementation Manual, the operations, resources and expenditures in respect of the CSO Subproject; and (C) maintain adequate reporting in accordance with the standards specified in the Project Implementation Manual;
- (iv) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Grant shall be procured in accordance with the procedures set forth in the Project Execution Manual and referred to in Schedule 3 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the CSO Subproject;
- (v) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the CSO Subproject, the operations thereof and any relevant records and documents;
- (vi) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the CSO Subproject; and
- (vii) the right of the Borrower to suspend or terminate the right of the CSO to use the proceeds of the Credit for the CSO Subproject upon failure by the CSO to perform any of its obligations under its Grant Agreement.

5. Monitoring and Evaluation Reports

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association, and on the basis of 24-month work plans referred to in the provisions of paragraph 2 (e) above, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, no later than March 31, 2003, and thereafter no later than March 31 each year, an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, no later than April 30, 2003 and thereafter no later than April 30 each year, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

6. Mid-term Review

(a) The Borrower shall, no later than June 30, 2004, carry out jointly with the Association, a midterm review of the progress made in carrying out the Project.

(b) The Borrower shall carry out, no later than one month after the completion of the Mid-term Review, the Recommendations of the Mid-term Review as agreed with the Association.

(c) The Mid-term Review shall assess the following: (i) the overall progress made in the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 \$3,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,630,000.

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 deposit into the Special Account of an amount or amounts 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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; 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.

