

CONFORMED COPY

CREDIT NUMBER 1968 BU

(Second Urban Development Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 14, 1989

CREDIT NUMBER 1968 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 14, 1989, between REPUBLIC OF BURUNDI (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to 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) "BPU" means Bureau de Projet Urbain, the Urban Project Unit of the Borrower's Ministry of Public Works and Urban Development responsible, inter alia, for implementing Parts A(a), A(b), A(c), A(e), A(f), B, C(b), D, E(a), E(e) and E(f) of the Project and for monitoring, reporting and supervising execution of the Project in its entirety;

(b) "CCIB" means the Chamber of Commerce, Industry, Agriculture and Handicraft of Burundi responsible, inter alia, for implementing Part A(d) of the Project;

(c) "COOPECS" means Cooperatives d'Epargne et de Credit, the Savings and Credit Cooperatives established in the Borrower's territory and responsible, inter alia, for implementing, together with BPU, Part A(f) of the Project;

(d) "ECOSAT" means Encadrement des Constructions Sociales et Amenagement des Terrains, the Borrower's Housing and Land Development Agency created by the Borrower's Decree No. 100/53 of March 31, 1987 and responsible, inter alia, for implementing Parts C(a) and C(c) of the Project;

(e) "FEUCS" means Fonds d'Equipement Urbain des Centres Secondaires, the Borrower's Urban Equipment Fund for Secondary Centers to be established pursuant to Section 3.04 (d) of this Agreement;

(f) "FH" means Fonds de l'Habitat, the Borrower's Housing Fund to be established pursuant to Section 6.01 (a) of this Agreement;

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

(h) "Implementation Agreement" means any of the agreements to be entered into pursuant to Section 6.01 (c) of this Agreement, as the same may be amended from time to time;

(i) "MH" means the Borrower's Ministry of Health;

(j) "MI" means the Borrower's Ministry of Interior, responsible, inter alia, for implementing Parts E(b) and E(c) of the Project;

(k) "MTPDU" means Ministere des Travaux Publics et du Developpement Urbain, the Borrower's Ministry of Public Works and Urban Development;

(l) "Project Account" means the account referred to in Section 3.02 of this Agreement;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated December 11, 1986 and June 15, 1987 between the Borrower and the Association;

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

(o) "Subsidiary Loan Agreement" means any of the agreements to be entered into pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time.

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 sixteen million one hundred thousand Special Drawing Rights (SDR 16,100,000).

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 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 acceptable 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 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 a date sixty days after the date of this Agreement (the "Accrual Date") to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year, specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 1999 and ending September 1, 2028. Each installment to and including the installment payable on September 1, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever:

(i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985

dollars for five consecutive years; and

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through BPU, CCIB, COOPECs, ECOSAT and MI, with due diligence and efficiency and in conformity with appropriate administrative, financial and urban planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall relend to the municipality of Bujumbura and the communes of Gitega, Ngozi, Kayanza, Rumonge and Bururi, under subsidiary loan agreements to be entered into between the Borrower and such municipality and communes including terms and conditions which shall have been approved by the Association:

(i) the proceeds of the Credit allocated to Part D(a) of the Project at an annual interest rate of eight percent (8%), a repayment period of ten (10) years after the date of this Agreement and a grace period of five (5) years; and

(ii) the proceeds of the Credit allocated to Parts B and D(d) of the Project at terms and conditions that shall be agreed between the Borrower and the Association not later than June 30, 1992.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Without limitation to the generality of the provisions of Section 3.01 (a) with regard to the provisions of funds, the Borrower shall:

(i) open, and thereafter maintain, in the Borrower's currency and in the name of MTPDU - Second Urban Project, an 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 of FBu

50,000,000; and

(iii) thereafter deposit into the Project Account, not later than March 31 of each year during Project implementation, a sum necessary to replenish the Project Account up to the original amount of FBu 50,000,000.

Amounts deposited into the Project Account pursuant to sub-paragraphs (ii) and (iii) above 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 3.03. In order to supervise the execution of the Project, the Borrower shall:

(a) (i) at the central level employ its Commission Nationale de l'Urbanisme integrated by representatives of CCIB, COOPECS, ECOSAT and FH; and

(ii) at the local level, establish implementation commissions in each of the communes covered by the Project to be chaired by the governors of the respective provinces and, in the case of the commune of Rumonge, by the communal manager, and composed of representatives of the central and local governments and of representatives of commerce and handicraft;

(b) not later than January 31, April 30, July 31 and October 31 of each year before completion of the Project furnish to the Association quarterly progress reports; and

(c) not later than October 31 of each year before completion of the Project, submit to the Association a project implementation plan for the following year of Project implementation in such detail as the Association shall reasonably request and the Borrower's revised three-year rolling Program of Investments and Public Expenditures for the urban sector, with terms and conditions satisfactory to the Association.

Section 3.04. The Borrower shall: (a) cause each of the communes participating in the Project to select and employ, not later than September 30, 1989, a specialist to carry out local accounting, budgeting, taxation, administration and management tasks;

(b) not later than June 30, 1990 submit the final report of the study on communal resources of Part E(f) of the Project;

(c) not later than June 30, 1989, submit to the Association a short list of independent auditors to carry out the audits referred to in Section 4.01 (b) and 4.01 (c) of this Agreement;

(d) not later than December 31, 1991, establish FEUCS in accordance with the recommendations included in the study on communal resources of Part E(f) of the Project; and

(e) not later than December 31, 1990, enact a statute for communal employees deemed satisfactory by the Association for the purposes of the Project.

Section 3.05. 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 CCIB, COOPECs and 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 eight months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, 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 expenditures 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) any of BPU, the municipality of Bujumbura, the communes of Gitega, Ngozi, Kayanza, Rumonge, Bururi, CCIB, COOPECs or ECOSAT shall have failed to perform any of their obligations under any Implementation Agreement;

(b) any of the municipality of Bujumbura, the communes of Gitega, Ngozi, Kayanza, Rumonge and Bururi, shall have failed to perform any of their obligations under any Subsidiary Loan Agreement; and

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BPU, CCIB, COOPECs, ECOSAT or FH or for the suspension of the operations of any of them.

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

(a) any event specified in paragraphs (a) or (b) of Section 5.01 of this

Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has submitted draft legislation satisfactory to the Association for the establishment of FH;

(b) the Borrower has enacted legislation satisfactory to the Association transferring to the municipality of Bujumbura and to all of the communes of the Borrower the power to levy and collect property taxes and taxes on rental revenues;

(c) Implementation Agreements have been entered into between BPU and the municipality of Bujumbura, the communes of Gitega, Ngozi, Kayanza, Rumonge, Bururi, CCIB, COOPECS, and ECOSAT respectively, on terms and conditions satisfactory to the Association;

(d) Subsidiary Loan Agreements have been entered into between the Borrower, the municipality of Bujumbura, and one of the communes of Gitega, Ngozi, Kayanza, Rumonge, or Bururi, respectively, on terms and conditions satisfactory to the Association; and

(e) the Borrower has opened the Project Account and deposited the initial amount referred to in Section 3.02 of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Subsidiary Loan Agreement referred to in Section 6.01 (d) of this Agreement has been duly authorized or ratified by, and is legally binding upon, the parties thereto in accordance with its terms.

Section 6.03. 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 Urban Development 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 Travaux Publics et
du Developpement Urbain
B.P. 1860
Bujumbura
Republic of Burundi

Cable address:

MTPDU
Bujumbura

Telex:

5048 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/ Edouard Kadigiri

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 under all Parts of the project except C(a), D(a) and D(c)	3,500,000	80%
(2) Civil works under Part C(a) of the Project	610,000	80%
(3) Civil works under Part D(a)	760,000	80%

of the Project

(4)	Civil works, equipment and furniture under Part D(c) of the Project	310,000	90%
(5)	Equipment, vehicles, and furniture	610,000	100% of foreign expenditures and 80% of local expenditures
(6)	Technical assistance	760,000	100% of foreign expenditures and 80% of local expenditures
(7)	Training	380,000	100% of foreign expenditures and 80% of local expenditures
(8)	Consultants' services	380,000	100% of foreign expenditures and 80% of local expenditures
(9)	Goods and services financed under housing credits	2,600,000	80%
(10)	Artisans credits	760,000	80%
(11)	Operating expenses	610,000	80%
(12)	Refunding of Project Prepara- tion Advance	530,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(13)	Unallocated	4,290,000	
	TOTAL	16,100,000	

2. For the purposes of this Schedule:

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

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

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

(a) prior to the date of this Agreement;

(b) under Category (4) of paragraph 1 above until MH and MTPD have agreed, on terms and conditions satisfactory to the Association, on the staffing of the health centers to be built under Part D(c) of the Project;

(c) under Category (2) of paragraph 1 above until the Borrower's Decree No. 100/53 of March 31, 1987, is amended in a manner satisfactory to the Association; and

(d) under Category (11) of paragraph 1 above after three years from the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) in the short-term, to strengthen the economy of secondary towns in the Borrower's territory and, through urban-rural linkages, the economy of their hinterland; and (ii) in the long-term, to assist the Borrower's urban growth by improving the living conditions of the urban population in Bujumbura, Gitega, Ngozi, Kayanza, Rumonge and Bururi.

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:

Promotion of artisans through: (a) construction of workshops and stores; (b) management of activity areas; (c) construction of training and service centers; (d) management of training and service centers; (e) provision of technical assistance; and (f) granting of credit.

Part B:

Upgrading of roads and drainage, mainly in the low-income urban areas.

Part C:

Housing through: (a) upgrading of 450 plots and development of 650 new plots in Gasenyi; (b) development of new areas in Gitega, Rumonge, Ngozi and Kayanza; (c) provision of housing credits; and (d) establishment of a Housing Fund.

Part D:

Construction of community facilities including: (a) markets, small shops, cold storage rooms and slaughterhouses; (b) two sheds, a customs office and a depot in Rumonge; (c) five health centers; and (d) a community hall in Gasenyi.

Part E:

Institutional strengthening through: (a) provision of technical assistance for the communes; (b) upgrading of communes' financial resources; (c) reinforcement of financial services; (d) creation of an Urban Equipment Fund for Secondary Centers; (e) training for financial, technical and Project Staff; and (f) a study on communal resources.

* * *

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 shall be grouped in bid packages estimated to cost the equivalent of \$500,000 or more each.

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. Office equipment, furniture and furnishings for BPU and communal services and construction works estimated to cost less than the equivalent of \$1,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the Borrower's applicable procedures and paragraph 3.3 of the Guidelines, up to an aggregate amount not to exceed the equivalent of \$6,700,000.

2. Items which cannot be grouped or groups of items to cost less than the equivalent of \$100,000, 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 paragraph 3.4 of the Guidelines.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract for civil works estimated to cost the equivalent of \$300,000 or more, and to each contract for equipment, vehicles and furniture estimated to cost the equivalent of \$100,000 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.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditures. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 25% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out 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) through (11) 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 SDR 760,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested; and

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any 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 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

