

CREDIT NUMBER 2088 UG

Development Credit Agreement

(The Alleviation of Poverty and Social
Costs of Adjustment Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 8, 1990

CREDIT NUMBER 2088 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 8, 1990, between THE
REPUBLIC OF UGANDA (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 have

the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "PAPSCA" means the Borrower's Program for the Alleviation of Poverty and the Social Costs of Adjustment;

(b) "MOE" means the Borrower's Ministry of Education;

(e) "MOH" means the Borrower's Ministry of Health;

(d) "MLG" means the Borrower's Ministry of Local Government;

(e) "MPED" means the Borrower's Ministry of Planning and Economic Development;

(f) "MOD" means the Borrower's Ministry of Defense;

(g) "PCMU" means PAPSCA Coordination and Monitoring Unit;

(h) "WV" means World Vision, a non-governmental organization operating in Uganda;

(i) "UWWF" means the Ugandan War Widows Foundation, a nongovernmental organization established and operating in Uganda;

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

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated November 2, 1989 and November 20, 1989 between the Borrower and the Association.

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-two million Special Drawing Rights (SDR 22,000,000).

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, through the Bank of Uganda a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 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 September 30, 1994, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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 (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 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 February 1 and August 1 commencing February 1, 2000 and ending August 1, 2029. Each installment to and including the installment payable on August 1, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, 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 MLG, MOE and MPED with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, health and educational practices, and shall provide, 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 Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall, otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six 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 expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that PCMU has been established and become fully operational pursuant to paragraphs 1 and 2 of Schedule 4 to this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified

			60% of local expenditures
(2)	Equipment, Tools and Vehicles	430,000	100% of foreign expenditures and 60% of local expenditures
(3)	Consultants' Services	10,000	100%
Part B of the Project			
(4)	Civil Works	4,700,000	100% of foreign expenditures and 50% of Local expenditures
(5)	Equipment, Tools, Vehicles and Furniture	1,050,000	100% of foreign expenditures and 50% of local expenditures
(6)	Consultants' Services	470,000	100%
(7)	Operating Expenses	80,000	100% of foreign expenditures and 50% of local expenditures
Part C of the Project			
(8)	Civil Works	1,160,000	100% of foreign expenditures and 85% of local expenditures
(9)	Construction Materials	300,000	100% of foreign expenditures and 85% of local expenditures
(10)	Equipment, Tools, Vehicles and Furniture	480,000	100% of foreign expenditures and 85% of local expenditures
(11)	Consultants' Services	10,000	100%
(12)	Operating Expenses	70,000	100% of foreign expenditures and 85% of local expenditures
Part D.1 of the Project			
(13)	Construction Materials	460,000	100% of foreign expenditures and 50% of local expenditures
(14)	Equipment, Tools, Agricultural and Medical Supplies and Vehicles	1,680,000	100% of foreign expenditures and 50% of local expenditures
(15)	Training	250,000	100% of foreign expenditures and 50% of local expenditures

(16) Operating Expenses	190,000	100% of foreign expenditures and 50% of local expenditures
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Part D.2 of the Project

(17) Equipment, Tools and Vehicles	620,000	100% of foreign expenditures and 80% of local expenditures
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(18) Consultants' Services	200,000	100%
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(19) Training	190,000	100% of foreign expenditures and 80% of local expenditures
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(20) Operating Expenses	100,000	100% of foreign expenditures and 80% of local expenditures
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Part D.3 of the Project

(21) Civil Works	40,000	100% of foreign expenditures and 80% of local expenditures
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(22) Equipment, Tools, Supplies and Vehicles	310,000	100% of foreign expenditures and 80% of local expenditures
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(23) Consultants' Services	250,000	100%
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(24) Training	110,000	100% of foreign expenditures and 80% of local expenditures
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Part E of the Project

(25) Equipment, Furniture and Vehicles	510,000	100% of foreign expenditures and 75% of local expenditures
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(26) Consultants, Services	1,390,000	100%
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(27) Seminars and Training	280,000	100% of foreign expenditures and 75% of local expenditures
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(28) Operating Expenses	1,410,000	100% of foreign expenditures and 75% of local expenditures
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Part F of the Project

(29) Equipment and Vehicles	40,000	100% of foreign expenditures and 55% of local expenditures
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(30) Consultants' Services	480,000	100%
(31) Operating Expenses	40,000	100% of foreign expenditures and 55% of local expenditures
(32) Refunding of Project Preparation Advance	410,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(33) Unallocated	2,400,000	
TOTAL	22,000,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Operating Expenses" means expenditures incurred under the Project on account of rental facilities, office supplies, printing, fuel, maintenance, utilities and salaries of support staff.

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

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

(b) payments made for expenditures under Categories (1) through (3), unless the Borrower has entered into an agreement, satisfactory to the Association, with the organization selected to assist in the carrying out of Part A of the Project;

(c) payments made for expenditures under Categories (4) through (7), unless the Borrower has employed consultants, in procurement and distribution of materials, supervision and evaluation of rehabilitation and furnishing of schools under Part B of the Project, in accordance with Section 11 of Schedule 3 to this Agreement;

(d) payments made for expenditures under Categories (8) through (12), unless MLG has employed consultants to assist in the overall planning, supervision and monitoring of the implementation of the low-cost sanitation component under Part C of the Project in accordance with Section II of Schedule 3 to this Agreement;

(e) payments made for expenditures under Categories (13) through (24), unless: (i) the Borrower has established a coordination committee for the carrying out of Part D of the Project; and (ii) has entered into an appropriate agreement with each organization selected to assist the Borrower in the implementation of Part D of the Project; and

(f) payments made for expenditures under Categories (25) through (28), unless a Socio-economist has been

appointed in accordance with paragraph 10 of Schedule 4 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to address some of the most pressing social concerns of the most vulnerable groups through PAPSCA; and (b) to strengthen the Borrower's capabilities in social planning,

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: Small-Scale Infrastructure Rehabilitation

Rehabilitation of community-based small-scale infrastructure facilities, including primary schools, health centers, and the construction of wells and protection devices for springs.

Part B: Primary Education Rehabilitation

Rehabilitation of about 4,200 primary school classrooms in 12 of the poorer districts of Uganda.

Part C: Low-Cost Sanitation

Improvement of sanitation and water supply facilities in the Rubaga division of Kampala, through:

(a) the protection of about 50 springs and the installation of about 100 standpipes;

(b) construction of about 2,500 new, and the upgrading of about 1,000 existing, ventilated pit latrines;

(c) improvements to the sullage disposal and water drainage systems; and

(d) a health education program.

Part D: Health

1. Orphans

Improvement of the status of orphans in the Rakai, Masaka and Gulu districts through:

(a) training of about 4,500 orphans in basic vocational skills, including the rehabilitation of six rural vocational training centers;

(b) training of about 180 community-based development workers to counsel orphans and foster families;

(c) development and implementation of community-based health care programs; and

(d) provision of shelter for about 750 community health workers, and district health and community leaders.

2. Widows

Improvement of the socioeconomic status of about 25,000

widows through:

(a) development and implementation of community-based health care programs for widows and their households; and

(b) training in basic trade skills.

3. Community-based Health Development

Development of community-based health care scheme in Masindi district through:

(a) rehabilitation and equipping of existing health clinics of the Borrower, including training of staff; and

(b) development and implementation of programs to reestablish organized community health activities.

Part E: Social Dimensions of Adjustment

Strengthening the Borrower's capability for incorporating socioeconomic concerns in the design of macroeconomic policies through, inter alia:

(a) the design of social action programs and policies;

(b) the undertaking of socioeconomic studies; and

(c) the conducting of priority household surveys.

Part F: PAPSCA Administration

Strengthening the Borrower's implementation capability of PAPSCA through technical assistance and acquisition of equipment and vehicles.

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The Project is expected to be completed by March 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be bulked together in bidding packages.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Uganda 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: Other Procurement Procedures

1. Local Competitive Bidding

Goods estimated to cost less than the equivalent of \$200,000 per contract, and civil works under Part C of the Project, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Shopping

Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Direct Contracting

Rental facilities, office supplies, printing, fuel, maintenance, utilities and other items required under operating expenses may be procured on the basis of negotiated contracts, in accordance with procedures acceptable to the Association.

4. Force Account

Civil works under Parts A and B of the Project may be procured on the basis of force account with the use of local skilled labour.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$50,000 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 5 to this Agreement.

2. The figure of 10% 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 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

Implementation Program

Coordination and Monitoring

1. (a) The Borrower shall establish PCMU within MPED to carry out overall planning, intersectoral coordination, monitoring and evaluation of PAPSCA and the various components of the Project.

(b) PCMU shall be accountable to the PAPSCA Steering Committee, to be chaired by the Permanent Secretary, MPED and comprising representatives of the Borrower's ministries, external donors and non-governmental organizations. The PAPSCA Steering Committee shall, inter alia, resolve, as appropriate, technical and administrative issues which any one agency or ministry is unable to resolve on its own.

2. PCMU shall be staffed with a coordinator assisted by a program officer.

(a) The duties and responsibilities of the Coordinator shall include:

- (i) monitoring the implementation of PAPSCA and the various components of the Project;
- (ii) preparation of semiannual progress reports for submission to the Association by February 15 and August 15 of each year of Project implementation;
- (iii) maintaining close working relations with the implementing agencies of the various components of the Project; and
- (iv) management of the Special Account.

(b) The Program Officer shall be responsible for coordinating the financial management of PAPSCA, including the collection of data from the implementing agencies.

(c) The qualification and terms of reference of the Coordinator and of the Program Officer shall be satisfactory to the Association.

Part A of the Project

3. The Development Committee of Kamuli District under the Department of Community Development of MLG, shall establish a subcommittee to administer Part A of the Project.

The sub-committee, to be chaired by the District Administrator or his nominee, shall include representatives of the Ministries represented in the District and one representative each of the Resistance Council, the Department of Community Development and of Action Aid.

The sub-committee shall meet at least once a month and will be responsible to:

- (i) integrate and coordinate all development activities of Part A of the Project with the overall District development plan;
- (ii) coordinate the activities of resistance councils, line Ministries and other departments in the Implementation of the Project;
- (iii) familiarize resistance councils with the objectives of Part A of the Project including eligibility criteria and procedures to be followed for obtaining training in the maintenance of infrastructure facilities in the District;
- (iv) prepare and monitor the implementation plan for Part A of the Project;
- (v) review progress reports submitted by resistance councils; and
- (vi) prepare periodic reports to the District development committee.

4. In order to develop resistance councils capacity in development planning, coordination and monitoring, Action Aid will assist resistance councils with:

(a) The establishment of a coordination and monitoring process including the preparation of a four-year development plan and budget;

(b) the preparation, design and presentation of proposals, including maintenance plans, and training for the beneficiary communities;

(c) the administration of funds, procurement of inputs, technical advice, and monitoring and evaluation of proposals;

(d) the development of a system of procurement and distribution of materials for specific infrastructure facilities; and

(e) the semiannual preparation and submission of progress reports to the sub-committee and the PCMU.

Part B of the Project

5. The Project Implementation Unit within HOE shall be responsible for the implementation of Part B of the Project on the basis of:

(a) Detailed proposals for rehabilitation of school buildings and furnishing submitted to the District Education Officer by local communities including the scope of work, materials and other support needed, the community's contribution in cash and in kind and the expected implementation time-frame; and

(b) the evaluation and recommendation of a proposal by a committee set up at the District.

Part C of the Project

6. The Kampala City Council Project Implementation Unit

shall be responsible for the carrying out of Part C of the Project with the assistance of the resistance councils in the District and of a consulting firm to be employed by MLG.

7. The Kampala City Council Project Implementation Unit's responsibilities shall include:

- (a) Preparation of overall project planning, supervision and monitoring;
- (b) organizing regular seminars/workshops;
- (c) determine sites for local water supply facilities and latrine construction, in consultation with the relevant resistance councils;
- (d) certify the completion of each activity;
- (e) carry out health education programs;
- (f) employ local area contractors; and
- (g) receive and distribute materials and equipment procured under the Project.

Part D of the Project

8. The implementation of Part D of the Project shall be coordinated by a committee to be established by MLG which shall include representatives of MOH, MOD, MLG, WV, UWWF, and district resistance committees and shall be responsible to, inter alia, prepare and submit for the Association's review and approval, through PCMU, annual implementation plans which shall include: (a) the number of students trained or to be trained; (b) proposed courses of study, training institution within Uganda or abroad; and (c) cost of training.

9. Parts D.1 and D.3 of the Project shall be carried out by WV and Part D.2 by UWWF, under terms and conditions which shall be satisfactory to the Association.

Part E of the Project

10. (a) MPED shall be responsible for the implementation of Part E of the Project, with the assistance of a socio-economist, who shall report to the Permanent Secretary, MPED, a statistician, administrative staff and short-term consultants, satisfactory to the Association. At least four MPED staff shall also be assigned to work with the socio-economist.

(b) The Department of Statistics within MPED, assisted by the statistician, shall carry out the household surveys.

(c) MPED shall arrange for short-term training, within and outside Uganda, of staff of the Borrower's ministries and departments to be involved in the execution of studies to be undertaken under Part E of the Project, and the collection and analysis of data.

11. The PAPSCA Steering Committees shall be responsible to:

- (a) review semiannual work programs for the implementation of Part E of the Project and the results of surveys, studies and analyses; and
- (b) determine appropriate studies to be carried out

for the formulation and adoption of policies.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (31) 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 I 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.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

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

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

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

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

