

CONFORMED COPY

CREDIT NUMBER 3012 IN

Development Credit Agreement

(Third District Primary Education Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 23, 1998

CREDIT NUMBER 3012 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 23, 1998, between INDIA, acting by its President (the Borrower) and the 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 Borrower expects to obtain from the United Nations Children's Fund (UNICEF) a grant in an amount equivalent to \$10,000,000 to assist in financing part of the Project in accordance with UNICEF/Government of India Basic Agreement; and

(C) the Project will be carried out by the Borrower and the State of Bihar with the assistance of Bihar Shiksha Pariyojna Parishad (BSPP) as well as the assistance of the Borrower, and as part of such assistance, the Borrower will make available to BSPP the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and Bihar;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Bihar" means Borrower's State of Bihar, or any successor thereto;
- (b) "BSPP" means Bihar Shiksha Pariyojna Parishad, a registered society under the Borrower's Societies Registration Act;
- (c) "BSTPC" means Bihar State Textbook Publishing Corporation;
- (d) "DIET" means District Institute for Education and Training;
- (e) "District Level Office" or "DLO" means the district level project office established or to be established by BSPP in each Project District to carry out day-to-day Project implementation;
- (f) "DPEP" means the Borrower's District Primary Education Program and "DPEP Guidelines" means the statement adopted by the Government of India in April 1993, as amended from time to time, defining the Program;
- (g) "ECE" means early childhood education;

- (h) "elementary education" means education provided from class one through class eight in schools;
- (i) "EMIS" means educational management information system;
- (j) "Fiscal Year" and "FY" means the fiscal year of the Borrower beginning on April 1 of a calendar year and ending on March 31 of the following year;
- (k) "primary education" means education provided in classes 1 through 5;
- (l) "Project Agreement" means the agreement between the Association and the State of Bihar of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (m) "Project Districts" means the educational districts in Bihar designated as such by the Association;
- (n) "Project Implementation Plan" means the Project implementation plan prepared by the Borrower and Bihar dated August 1997;
- (o) "PMIS" means project management information system;
- (p) "SCERT" means State Council of Educational Research and Training;
- (q) "Scheduled Castes" refers to the population groups specified as "Scheduled Castes" pursuant to Article 341 of the Constitution of India;
- (r) "Scheduled Tribes" refers to the population groups specified as "Scheduled Tribes" pursuant to Article 342 of the Constitution of India;
- (s) "SIEMAT" means the State Institute for Educational Management and Training of Bihar to be established or strengthened pursuant to the Project;
- (t) "Socially Disadvantaged Group Children" refers to children who have limited access to educational opportunities, including female, Scheduled Caste, Scheduled Tribe and working children and children with mild to moderate learning disabilities;
- (u) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (v) "State Level Office" or "SLO" means the state project office, established or to be established by BSPP for the purpose of coordinating Project implementation;
- (w) "Sub-District" means a level below the district level, consisting of one or more of the following: sub-division, block, panchayat and village, as well as an area defined as a cluster by Bihar; and
- (x) "VEC" means village education committee.

## 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 one hundred eleven million eight hundred thousand Special Drawing Rights (SDR 111,800,000).

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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India 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 3 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2003, 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 May 15 and November 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 May 15 and November 15 commencing May 15, 2008 and ending November 15, 2032. Each installment to and including the installment payable on November 15, 2017 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) 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 abovementioned

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 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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Bihar to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Bihar to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available on a grant basis to BSPP under a memorandum of understanding to be entered into between the Borrower and BSPP satisfactory to the Association.

(c) Without prejudice to any other provision of this Agreement, the Borrower shall ensure that BSPP receives adequate resources on a six monthly basis, in a timely manner, for anticipated expenditures under its approved annual work plans.

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 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Bihar and BSPP pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall carry out, or cause to be carried out in Bihar, the DPEP in accordance with the DPEP Guidelines and shall not make any change to the DPEP or the DPEP Guidelines, including in respect of its financial and administrative procedures, which would, in the reasonable opinion of the Association, materially and adversely affect the ability of the Borrower or Bihar or BSPP to carry out the Project.

Section 3.05. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and achievement of the objectives thereof;

(b) carry out with the Association, Bihar and other external financiers of the Program, including UNICEF, a joint in-depth review of the Project on two occasions by December 31, 1999 and December 31, 2001; such review to include (i) a status report, in both reviews, of the positioning of teachers in the Project Districts based on Bihar's norms, and (ii) a status report, in the latter review, of the proposed strategies to sustain the capacities and services developed under the Project, and the modalities and framework of cooperation between the Borrower's Integrated Child Development Service and ECE under the Project; and

(c) duly take into account the comments offered by the Association during each such joint review in the course of further implementation of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) 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 sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) 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 the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and

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

#### 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) Bihar shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Bihar will be able to perform its obligations under the Project Agreement.

(c) Bihar shall have reduced the level of its budgetary expenditure for elementary education (net of Project expenditures) below the level, in constant terms, of such expenditure in the Borrower's FY 1995-96.

(d) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the UNICEF Grant or any grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant

to the terms of the agreement

providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in paragraphs (a) and (c) 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.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following are specified as additional matters, 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 Project Agreement has been duly authorized or ratified by Bihar and is legally binding upon Bihar in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, and Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
New Delhi, PIN 110001  
India

Cable address:

ECOFAIRS  
New Delhi

Telex:

953-3166175

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

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.

INDIA

By /s/ Sudhakar Rao

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Robert Drysdale

Acting Regional Vice President  
South Asia

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	27,600,000	90%
(2) Equipment, vehicles books (except textbooks), teaching materials and furniture	6,100,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 80% of local expnditures for other items procured locally
(3) Textbooks	13,200,000	100% of local expendi- tures (ex-factory cost) and 85% of local expnditures for other items procured locally
(4) Consultants' services, training, workshops and fellowships, except for Parts B.5(a) and (b), and Part C.4 of the	23,800,000	100%



Project

(5)	Incremental staff salaries, incremental honoraria for volunteers and incremental operating and maintenance costs	31,000,000	80% of payments made until March 31, 2000; 55% of payments made from April 1, 2000 until March 31, 2002; and 35% of payments made thereafter
(6)	Unallocated	10,100,000	
	TOTAL	111,800,000	

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;

(c) (i) the term "incremental operating and maintenance costs" means the incremental expenses incurred on or after April 1, 1998 on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs but excluding salaries of officials of the Borrower's civil service;

(ii) the term "incremental staff salaries" means salaries paid in respect of posts created for the Project, including consulting or contractual services, on or after January 1, 1998; and

(iii) the term "incremental honoraria for volunteers" means honoraria paid for volunteers to carry out activities under the Project.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 4,600,000 may be made in respect of payments made for expenditures before that date but after August 15, 1997;

(b) in respect of payments incurred in or with respect to Bihar until BSPP has entered into a memorandum of understanding with the Borrower in accordance with Section 3.01(b) of this Agreement; and

(c) in respect of payments over SDR 2,300,000 under Category 3 until Bihar has furnished evidence satisfactory to the Association that BSTPC has adopted and followed procedures acceptable to the Association for the procurement of printing services for the textbooks financed under the Credit.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) civil works under contracts not exceeding \$300,000 equivalent; (b) vehicles under contracts not exceeding \$100,000 equivalent; (c) incremental staff salaries, incremental honoraria for volunteers and incremental operating and maintenance costs; (d) goods, other than vehicles, under contracts not exceeding \$300,000 equivalent; (e) services under contracts costing less than \$200,000 equivalent each for employment of consulting firms; and (f) services under contracts costing less than \$50,000 equivalent each for employment of individual consultants, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## Description of the Project

The objectives of the Project are to build and strengthen Bihar's State, District and Sub-District institutional capacity to ensure that more children, especially Socially Disadvantaged Group Children, complete a five-year primary education cycle of appropriate quality in Bihar's low literacy districts.

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: Access to Primary Education

Expanding access, particularly for Socially Disadvantaged Group Children, to primary education by:

1. (a) Construction of new schools and classrooms and repairing and rehabilitating existing facilities to create approximately 400,000 new student places; and (b) establishing a School Construction Innovation Fund to facilitate research, experimentation and evaluation of alternative cost-effective school facilities construction techniques and to finance the construction of prototypes of such facilities.
2. Sanctioning about 5,700 new teaching positions and appointing teachers.
3. Developing and implementing targeted interventions, including alternative schooling and special education program, to enhance the delivery of Project benefits, particularly to Socially Disadvantaged Group Children.
4. Mobilizing school and community organizations and carrying out awareness campaigns in support of education.
5. Establishment of a VEC for each school in the Project Districts.

### Part B: Retention and Learning Achievement

Increasing the retention rate and improving the learning achievements in primary schools by:

1. Selectively establishing new and strengthening existing early childhood education centers to encourage learning, especially among children from illiterate households.
2. Supporting interventions for women's education and empowerment programs (Mahila Samakhya).
3. Installing toilets and water facilities in primary schools.
4. Establishing block and cluster resource centers to operate in-service teacher training activities.
5. Provision of continuous in-service teacher training, and supply of instructional materials for such training, including (a) ten-day teacher empowerment module and related training, and (b) state-level development of training modules and training for master trainers.
6. Developing improved instructional materials by, inter alia: (i) basing them on minimum levels of learning; (ii) field testing them prior to their adoption; (iii) improving the design, illustration, layout and durability of instructional materials; and (iv) providing professional training for instructional materials agency staff.
7. Supplying new and improved instructional materials to schools and children in the Project Districts in accordance with DPEP Guidelines.
8. Carrying out periodic primary student learning assessments.
9. Provision of grants to schools, community organizations and individual teachers

for school improvement, and provision of teaching aides.

Part C: State and District Institutional Capacity

Improving State and District capacity to manage primary education by:

1. Building and strengthening state and district program management structures to review and supervise the implementation of state and district investment plans and annual work plans and budget that are designed to enhance access to and improve the quality and efficiency of primary education.
2. Establishing and strengthening: (i) state and district resource institutions, such as SCERT, SIEMAT and BSTPC at the state level and DIETs or equivalent institutions in all Project Districts; and (ii) resource groups at the state level and in all Project Districts, to provide technical support in Project implementation.
3. Strengthening the capacity for monitoring, research and evaluation, and carrying out related activities.
4. Development of training modules for micro-planning and VEC training and training of master trainers.
5. Establishment of a facility to support innovative approaches to improve primary education.

\* \* \*

The Project is expected to be completed by March 31, 2003.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, 3, 4 and 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 \$9,000,000 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 \$4,500,000 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 30,000,000.

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.

