

CONFORMED COPY

CREDIT NUMBER 2486 TA

Development Credit Agreement

(Third Telecommunications Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 1993

CREDIT NUMBER 2486 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 1993, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to secure financing from various other sources in an aggregate amount approximately equivalent to \$115,250,000 to assist in financing the Project; and

(C) the Project will be carried out by Tanzania Posts and Telecommunications Corporation (TPTC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to TPTC a portion of 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 TPTC;

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) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 6, 1990, and February 9, 1990, between the Borrower and the Association;

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

(c) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and TPTC pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(d) "TPTC" means Tanzania Posts and Telecommunications Corporation, established pursuant to the Tanzania Posts and Telecommunications Act, No. 15 of 1977 and any successor entity or entities which may be established by the Borrower to carry out the functions and responsibilities of TPTC;

(e) "Project Agreement" means the agreement between the Association and TPTC, 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;

(f) "Ministerial Directive" means the Ministerial Directive No. 1 dated March 31, 1992, made pursuant to the TPTC Act;

(g) "MOU" means the Memorandum of Understanding between the Borrower and TPTC dated March 31, 1992, establishing the operating and financial framework for TPTC pursuant to the Ministerial Directive;

(h) "Basic Telecommunications Services" means local, long distance and international telephone, telex and telegraph services;

(i) "Non-Basic Telecommunications Services" means all other telecommunications services other than Basic Telecommunications Services.

(j) "Letter of Sector Policy" means the letter to be submitted to the Association by the Borrower describing the Program, as defined below;

(k) "Program" means the program of actions, objectives and policies designed to achieve the structural adjustment of the Borrower's telecommunications sector described in the Letter of Sector Policy from the Borrower to the Association; and

(l) "Donors" means the various bilateral and multilateral agencies who will be providing financing for the Project.

#### ARTICLE II

## The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Development Credit Agreement, an amount in various currencies equivalent to fifty three million six hundred thousand Special Drawing Rights (SDR 53,600,000).

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 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 deposit account in its Central Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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 June, 30, 1999, 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 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 from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 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 semi-annual installments payable on each March 1 and September 1 commencing September 1, 2003, and ending March 1, 2033. Each

installment to and including the installment payable on March 1, 2013, 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 Kingdom of Great Britain and North Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. TPTC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Program and the Project as set forth in Schedule 2 to this Agreement and, to this end shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and telecommunications practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Development Credit Agreement, the Borrower shall cause TPTC to perform in accordance with the provisions of the Project Agreement, with respect to Parts B and C of the Project, all the obligations of TPTC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable TPTC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall make \$20,000,000 equivalent of the proceeds of the Credit available to TPTC as an equity contribution.

(d) The Borrower shall relend \$53,500,000 equivalent of the proceeds of the Credit to TPTC under a subsidiary loan agreement to be entered into between the Borrower and TPTC, under terms and conditions which shall have been approved by the Association, which shall include, inter alia, an interest rate of at least 8% per

annum, with the principal to be repaid in twenty years including a grace period of five years, and with TPTC bearing the cost of fluctuations in the currencies relented to it.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement 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 the Subsidiary Loan Agreement or any provision thereof.

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

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03 through 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 TPTC pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall by March 31, 1994: (a) establish a regulatory body for telecommunications and transfer responsibility for regulation of the telecommunications sector to said body; and (b) take all actions necessary to permit private sector involvement in Basic and Non Basic Telecommunications Services.

Section 3.05. The Borrower shall: (a) by December 31, 1993, take all actions necessary to issue or cause to be issued at least one license for a cellular operator on the basis of competitive bidding procedures, satisfactory to the Association; and (b) by December 31, 1995, take all actions necessary to issue licenses to private sector operations or investors for two other Non-Basic Telecommunications Services.

Section 3.06. The Borrower shall, by no later than March 31, 1994, take all necessary measures to establish two new entities to be responsible respectively for TPTC's postal and telecommunications functions.

Section 3.07. The Borrower shall, by the date of the mid-term review: (a) furnish to the Association for its review and comments the recommendations of the study to be carried out under Part A.6 of the Project; and (b) prepare and submit to the Association an action plan, taking into account the Association's comments, for the involvement of the private sector in the telecommunications sector.

Section 3.08. The Borrower shall prepare or cause to be prepared annually, for the Association's review, a comparative analysis of the actual performance of TPTC against the performance indicators in the MOU and as indicated in the Annex to Schedule 2 to the Project Agreement.

Section 3.09. (a) The Borrower shall, and shall cause TPTC to, by not later than December 31, 1995, carry out jointly with the Association and the Donors, a mid-term review of the Project. Such review shall include, inter alia, an assessment of: (i) satisfactory compliance with the Project implementation schedule; (ii) satisfactory compliance with the performance indicators; (iii) the establishment of a legal and regulatory framework for telecommunications; (iv) operation of the regulatory body for telecommunications; (v) issuance of licenses to private sector operators; (vi) operation of the new telecommunications entity; (vii) progress in the divestiture of the activities of TPTC referred to in Section 2.06 of the Project Agreement; and (viii) progress in the installation of a comprehensive billing system for telecommunications.

(b) At least two months prior to such review, the Borrower

shall cause its agencies, including TPTC, to prepare and furnish to the Association and the Donors a report, including, inter alia, a review of the results of the efficiency audits and the status of actions implemented in accordance with the Program, as well as progress made in implementation of the Project.

(c) Promptly after the completion of the mid-term review referred to in paragraph (a) of this Section, the Borrower and TPTC shall take all necessary actions to implement recommendations emanating from the review.

#### 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 Part A 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 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.
- (d) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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) That a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) TPTC shall have failed to perform any of its obligations under the Project Agreement.

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

(d) The Tanzania Posts and Telecommunications Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TPTC to perform any of its obligations under the Project Agreement.

(e) The Ministerial Directive or MOU shall have been amended, suspended, abrogated or waived so as to affect materially and adversely the operations, the autonomy, or the financial condition of TPTC or its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or pre-maturing 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 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a), (b) or (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; and

(b) any event specified in paragraph (d) 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 this Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and TPTC;

(b) TPTC shall have submitted to the Association audited financial statements for 1992, acceptable to the Association;

(c) TPTC shall have selected and commenced procurement of a comprehensive billing system for all telephone, telex, and telegraph services;

(d) the Borrower has submitted to the Association the Letter of Sector Policy, satisfactory to the Association; and

(e) TPTC has selected a Financial Controller with qualifications and experience, and under terms and conditions of employment satisfactory to the Association.

Section 6.02. 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:

(a) that the Project Agreement has been duly authorized or ratified by TPTC, and is legally binding upon TPTC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and TPTC and is legally binding upon the Borrower and TPTC 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

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister for the time responsible for 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:

Ministry of Finance  
P.O. Box 9111  
Dar es Salaam  
Tanzania





the Project			
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)		% of Expenditures to be Financed
(2) Vehicles, computers and office equip- ment:			100% of foreign expenditures
(a) Computers and office equip- ment	2,370,000		
(b) Vehicles	720,000		
(3) Training			100% of foreign expenditures
(a) For Part A of the Project	140,000		
(b) For Part B of the Project	640,000		
(4) Consultant's Services			100% of foreign expenditures
(a) For Part A of the Project	540,000		
(b) For Part B.1 through 6 of the Project	1,380,000		
(5) (a) Postal equipment and vehicles for Part C.7 of the Project	1,280,000		100% of foreign expenditures
(b) Consultant's ser- vices and train- ing for Part B.7 of the Project	710,000		100% of foreign expenditures
(6) Refunding of Project Preparation Advance	630,000		Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	7,010,000		
TOTAL	53,600,000		=====

2. For the purposes of this Schedule 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.

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 Category (1)(a) until and unless TPTC has employed a firm with qualifications and experience satisfactory to the Association to be responsible for the supervision of the procurement and implementation of capital construction activities under the Project; and (c) payments made for expenditures under Category (1)(b) unless and until the Association shall have notified TPTC that it may enter into commitments in respect of works and equipment under Phase II.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) rehabilitate and expand basic telecommunications services, particularly to business subscribers; (ii) strengthen the institutional capacity of TPTC; (iii) establish a market-oriented regulatory and policy framework; and (iv) promote private sector participation in the telecommunications sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Regulatory and Policy Framework

1. Carrying out annual efficiency audits, to review quantifiable financial, technical, and operational performance targets.
2. Establishment of a regulatory body to regulate telecommunications activities, including licencing, tariffs and frequency management.
3. Establishment of the legal and regulatory environment to, inter alia, permit private sector participation and investment in basic and value-added telecommunications services.
4. Commercialization and corporatization of TPTC's operations, divestiture of non-core functions and splitting of postal and telecommunications activities.
5. Training of regulatory staff and transfer of knowledge.
6. Carrying out a study on the scope and extent of private sector involvement in the telecommunications sector.

#### Part B: Institutional Development

1. Carrying out the following studies:
  - (a) to develop a comprehensive human resource and training strategy and a plan for its implementation; and
  - (b) to develop a computerization strategy.
2. Design and implementation of financial management systems and procedures, including the following: (a) new billing and accounts receivable system; (b) accrual accounting system; and (c) improvement of budgeting, forecasting and cost control.
3. Introduction of revised audit controls.
4. Strengthening of corporate planning, engineering, customer service and other activities.
5. Training of trainers of the staff college, and development of new courses.
6. Training fellowships for TPTC staff primarily in local and regional training institutions.
7. Restructuring of postal operations after the separation of TPTC postal and telecommunications activities.

#### Part C: Rehabilitation and Expansion

1. Rehabilitation of existing switching, transmission, power and air conditioning equipment, including acquisition of spare parts, modules, tools and test equipment.

2. Acquisition, installation and commissioning of:
  - (a) about 91,000 lines of switching equipment, including 44,000 lines in Dar es Salaam and 47,000 in regional centers;
  - (b) complementary external line plant to match (a) above and external line plant for exchanges requiring additional cabling;
  - (c) digital microwave radio systems and fibre optical systems to interconnect the exchanges; and
  - (d) power and airconditioning equipment for switching and transmission.
3. Acquisition of about 20,000 telephone instruments, about 500 pay telephones, about 200 teleprinters and about 500 fax machines.
4. Acquisition of about 50 vehicles for planning, construction and maintenance works.
5. Construction of buildings to accommodate equipment and for office and residential purposes.
6. Acquisition of ancillary equipment, computer hardware and software.
7. Acquisition of postal equipment and vehicles.
8. Rehabilitation and expansion of the telecommunications network to be financed by the Association will be divided into two phases as follows:

(a) Phase I

- Spare parts for existing switching, external line plant and transmission.
- Upgrading of earth station with digital IDR facility.
- External line plant in Pugu Road and Wageni (both in Dar es Salaam) to provide connection capacity for existing exchanges.
- Long distance transmission with digital microwave systems for Dar es Salaam-Dodoma and Dar es Salaam-Zanzibar-Pemba-Tanga-Moshi.
- Terminals

(b) Phase II

- Switching in Arusha, Morogoro, Zanzibar, Chake Chake, Wete, Mkoani and in 20 rural locations.
- External line plant in Arusha, Morogoro, Zanzibar and in the above-mentioned 20 rural locations.
- Long distance transmission with digital microwave systems for Moshi-Arusha.
- Small radio transmission related to above-mentioned rural locations.
- Spur links related to the long distance transmission routes Dar es Salaam-Dodoma-Dar es Salaam-Zanzibar-Pemba-Tanga-Moshi-Arusha.
- Power and air conditioning for above-mentioned switching and transmission.

\* \* \*

The Project is expected to be completed by December 31, 1998.

### SCHEDULE 3

#### Consultants' Services

##### Employment of Consultants

1. 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provision of the Consultants Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Association and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 \$4,000,000 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; 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 paragraph 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.

