

CONFORMED COPY

CREDIT NUMBER 2469 BD

Development Credit Agreement  
(Female Secondary School Assistance Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 11, 1993

CREDIT NUMBER 2469 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 11, 1993, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Agrani Bank" means Agrani Bank established as a Banking Company under the Bangladesh Bank's (Nationalization) Order 1992;

(b) "Bangladesh Bank" means the Central Bank of Bangladesh established under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) as amended to the date of this Agreement;

(c) "Special Account" means the Convertible Taka Special Account referred to in Section 2.02 (b) of this Agreement and described in the Circular dated September 2, 1991 as revised on May 4, 1992 and December 24, 1992 of the Finance Division of the Borrower's Ministry of Finance entitled "Procedures for Operation of Convertible Taka Special Account (CONTASA) of IDA Aided Development Projects Under Government Departments/Autonomous/Semi-Autonomous Bodies," as such Circular may be amended from time to time in agreement with the Association;

(d) "DSHE" means the Directorate of Secondary and Higher Education of the Borrower's Ministry of Education;

(e) "FY" means the Fiscal Year of the Borrower which runs from July 1 to June 30;

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

(g) "Taka" means the currency of the Borrower;

(h) "Thana" means the lowest administrative unit in the country;

(i) "Project Area" means the area included in the 118 Thanas selected by the Borrower for inclusion in the Project with the approval of the Association; and

(j) "Project Schools" means schools in the Project Area selected by the Borrower for inclusion in the Project and which have entered into Cooperation Agreements referred to in paragraph 4 of Schedule 4 to this Agreement.

## 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 forty-nine million five hundred thousand Special Drawing Rights (SDR 49,500,000).

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 Taka a special deposit account in a bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000 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 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 the Ministry of Education with due diligence and efficiency and in conformity with appropriate 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.

Section 3.03. The Borrower shall establish a Project Implementation Unit (PIU) responsible for implementing the Project. The PIU shall be headed by a Project Director who shall be accountable to the Director General, DSHE. The Project Director shall be assisted by the Deputy Project Directors.

Section 3.04. In order to assist the Borrower in carrying out the Project, the Borrower shall appoint Agrani Bank to be responsible for Project-related banking activities. For this purpose, the Borrower shall enter into a Participation Agreement with Agrani Bank satisfactory to the Association. The Participation Agreement shall provide inter alia for: (a) the procedures for distributing stipends; (b) Agrani Bank's responsibilities on maintaining records; and (c) auditing of Agrani Bank activities under the Project.

Section 3.05. The Borrower shall, not later than September 30, 1996 carry out jointly with the Association a comprehensive mid term review of the progress of the Project and soon thereafter shall implement the recommendations of such review. The review shall cover inter alia: (a) evaluation of the impact of the Project on enrollment of girls in secondary schools; (b) recruitment of additional teachers; (c) the implementation of the occupational skills development program; (d) the implementation of the female education awareness program; (e) the implementation of the water supply and sanitation program; and (f) the implementation of the institutional development program.

#### 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 nine 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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 events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has issued a circular temporarily suspending the Free Tuition for Girls Policy in the Project Schools;

(b) the Borrower has established the PIU referred to in Section 3.03 of this Agreement and has appointed the following officials for the PIU with qualifications and experience satisfactory to the Association and that these officials have taken up their posts; (i) three Deputy Project Directors; (ii) two Assistant Directors (Operations) and one Assistant Director (FEAP); one Assistant Director (Training); (iii) seven Project Officers (Field); (iv) one Project Officer (FEAP); (v) one Project Officer (Monitoring and Evaluation); (vi) one Project Officer (Statistics); (vii) one Project Officer (Training); (viii) one Computer Programmer; (ix) one Data Entry Technician; (x) one Accountant; (xi) one Clerical Accountant; (xii) one Auditor; and (xiii) the Team Leader of the Management Technical Assistance (MTA) team;

(c) the Borrower, through MOE and Agrani Bank have executed the Participation Agreement referred to in Section 3.04 of this Agreement; and

(d) the Project Proforma for carrying out the Project has been approved by the Borrower.

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

##### Representatives of the Borrower; Addresses

Section 6.01. The Secretary, or the Additional Secretary, or any Joint Secretary, Deputy Secretary or Senior Assistant Secretary or Assistant Secretary of the Economic Relations Division of 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic  
of Bangladesh  
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD  
Dhaka

Telex:

642226 SETU BJ

Facsimile:

8802813088

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

Facsimile:

2024776391

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.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ K. M. Ejazul Huq

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood

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	370,000	80%
(2) Equipment, materials, vehicles and furniture	440,000	100% of foreign expenditures, 100 of local expenditures (ex-factory) and 80% of local expenditures for other items procured locally
(3) Stipends	27,360,000	100%
(4) Technical assistance, inspection fees and studies	6,840,000	100%
(5) Training and training materials	7,570,000	100%
(6) Incremental teachers' salaries	1,750,000	80% in FY95, 65% in FY96, 50% in FY97, 30% in FY98, and 20% in FY99
(7) Unallocated	5,170,000	

TOTAL 49,500,000

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 "incremental salaries" means salaries to be paid to teachers recruited as a result of this Project.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 220,000 on account of payments made for expenditures before that date but after September 30, 1992; and

(b) payments made for expenditures under Categories (1), (2) and (3) for any secondary school unless: (i) that school has signed the Cooperation Agreement referred to in Schedule 4 to this Agreement; and (ii) the headmaster/headmistress and/or the School Level Coordinator have completed the training courses acceptable to the Association.

4. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost the equivalent of less than \$20,000 may be required by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (a) provide financial and other assistance to girls in secondary schools (Grades 6 to 10) to enable them to complete their secondary education; (b) increase the overall number of secondary education teachers and to raise the proportion of female teachers; (c) provide occupational skills training to school leaving girls; (d) provide a supportive environment for girls' education; (e) provide a healthier and safer setting for girls in schools; and (f) strengthen the Borrower's capacity in delivering education services.

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: Stipends

Providing stipends to secondary school girls moving through Grades 6-10 to cover costs of tuition, public examinations, school fees, textbooks, stationary, uniforms, shoes, transport and other related expenses.

Part B: Teacher Enhancement

Recruitment of additional secondary school teachers in the Project Schools.

Part C: Occupational Skills Training

Training of school-leaving girls as self-employed workers, semi-skilled and skilled workers, and private sector entrepreneurs.

Part D: Female Education Awareness

Carrying out an education awareness program to educate the public on the direct and indirect benefits of female education.

Part E: Water Supply and Sanitation

Improving hygiene and sanitation practices in Project secondary schools through the provision of hygiene education, latrines, tubewells and carrying out minor civil works.

Part F: Institutional Development

Strengthening DSHE's/MOE's capabilities in Project implementation at national and thana levels through the provisions of technical assistance, equipment, office furniture and vehicles.

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The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Procedures

1. Except as provided in paragraph 2 hereof, equipment, materials, vehicles and furniture shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association and in accordance with the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Equipment, materials, vehicles and furniture estimated to cost the equivalent of less than \$50,000 per contract, up to an aggregate amount equivalent to \$100,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines and in accordance with procedures acceptable to the Association.

3. Contracts for civil works may be awarded after direct negotiations with school community groups, in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

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

(a) With respect to the first two contracts irrespective of value for equipment, materials, vehicles and furniture and thereafter each such contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% 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

#### Project Management

1. The Borrower shall, establish a Management Technical Assistance Team and appoint the Team Leader to assist the PIU and DSHE staff with implementation of the Project. The Team shall consist of experts in educational planning, management, organization, training, monitoring, computer services and independent inspection of schools in the Project Area. All members of the Management Technical Assistance Team shall have qualifications and experience satisfactory to the Association.
2. The Borrower shall, not later than July 15, 1993 appoint the rest of the members of the Management Technical Assistance team and the rest of the staff of PIU required for the Project.
3. The participating schools shall nominate a School Level Coordinator for the Project and the PIU shall confirm such nomination. The Coordinator shall be responsible for implementation of the Project at school level and provide assistance to students on school-related and personal problems.
4. The PIU on behalf of DSHE shall enter into a Cooperation Agreement with each Project school in the Project Area satisfactory to the Association. The Cooperation Agreement shall specify the purposes, major activities and expected duties to be carried out by DSHE and the Project School and the eligibility criteria for participating under the Project. The Cooperation Agreement will be signed by each Project School by October 15, 1993 for that school to be eligible for the first academic year.
5. The Borrower shall take all appropriate measures to ensure that the proportion of women among new teachers in Project Schools are at least 20% by 1996, 30% by 1998, and 40% by 2000.
6. The Borrower shall take all appropriate measures to ensure that tuition fees for girls in the Project Schools are not raised above the Consumer Price Index increases during implementation of the Project.
7. The Borrower shall take all appropriate measures to ensure that eligible secondary school girls in the Project Schools will continue to be financed after academic year 1999 until they have graduated in grade 10.
8. The Borrower shall ensure that total recurrent costs of additional teachers salaries under the Project are included in the budget for each Fiscal Year with effect from FY 1995.
9. The Borrower shall, not later than August 1, 1996 submit to the Association for review a comprehensive progress report on the implementation of the Project as the basis of the mid-term review referred to in Section 3.05 of this Agreement. The terms of reference for the report shall be satisfactory to the Association.
10. The Borrower shall, not later than August 1, 1993 establish a Management Information System (MIS) under terms and conditions satisfactory to the Association. The Borrower shall use the MIS for inter alia tracking key Project indicators relative to the stipend program, and for monitoring and evaluating the progress of Project implementation.
11. The Borrower shall, not later than August 1, 1993, establish Thana Project offices in about 59 Thanas in the Project Area, and adequately staff them with personnel having qualifications and experience satisfactory to the Association. Project offices for the remaining 59 Thanas will be established at a date to be agreed between the Borrower and the Association after reviewing the findings of the mid-term review to be carried out pursuant to Section 3.05 of this Agreement.

## SCHEDULE 5

### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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 \$4,100,000 to be withdrawn from the Credit Account and deposited in 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 in 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 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.

