

CONFORMED COPY

CREDIT NUMBER 2412 YEM

(Basic Education Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 10, 1992

CREDIT NUMBER 2412 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 10, 1992, between REPUBLIC OF YEMEN (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;

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 Develop-

ment Credit Agreements" of the Association, dated January 1, 1985, modified by the deletion of the last sentence of Section 3.02 (the General Conditions) constitute an integral part of this Agreement.

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

(a) "MOE" means the Ministry of Education of the Borrower;

(b) "ERDC" means the Educational Research and Development Center, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 40 of 1982, and any successor thereto; and

(c) "Special Account" means the account referred to in Section 2.02 (b) of 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 fourteen million five hundred thousand Special Drawing Rights (SDR 14,500,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 United States Dollars a special deposit account in Central Bank of Yemen on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 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 per cent (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 1 and November 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 May 1 and November 1 commencing November 1, 2002 and ending May 1, 2032. Each installment to and including the installment payable on May 1, 2012 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 Parts A, B, C (2) and C (3) of the Project through MOE and shall carry out Part C (1) of the Project through ERDC with due diligence and efficiency and in conformity with appropriate educational, administrative and financial 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. The Borrower shall cause the MOE to ensure that girls have priority admission to schools that have classrooms constructed under Part A (1) of the Project.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required

for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit 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

##### Termination

Section 5.01. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Ministry of Planning and Development 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:

Ministry of Planning and Development  
P.O. Box 175  
Sana'a  
Republic of Yemen

Cable address:

CENPLAN  
Sana'a

Telex:

2266 CENPLAN YE

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)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ M. A. Alaini  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ C. Koch-Weser  
Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the Credit Allocated	% of
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Category	(Expressed in SDR Equivalent)	Expenditures to be Financed
(1) Civil works	7,700,000	80%
(2) Equipment, furniture, materials and vehicles	1,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Technical assistance and training	700,000	100% of foreign expenditures and 90% of local expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Copyrights and development of instructional materials under Parts A (4), B (2) and C (1) of the Project	700,000	100% of foreign expenditures and 80% of local expenditures
(5) Salaries, incentives and operation and maintenance	1,800,000	60%
(6) Unallocated	1,800,000	
TOTAL	14,500,000 =====	

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;

(c) the term "salaries" means salaries of additional staff for Parts A (1) and B (2) of the Project;

(d) the term "incentives" means housing and transportation allowances under Parts A (2) and A (3) of the Project; and

(e) the term "operation and maintenance" means provision of spare parts, materials, equipment and services for operation and repair of educational facilities constructed under Parts A (1) and B (1) of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

## Description of the Project

The objectives of the Project are to assist the Borrower in: (a) increasing the enrollment of girls in primary schools, especially in rural communities and (b) improving the quality of basic education through the training of primary-level administrators and teachers and curriculum development.

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: Expansion of Educational Access for Girls

1. Construction. (i) Construction and furnishing of approximately 600 new primary classrooms in rural communities; (ii) construction, equipping and furnishing of approximately five boarding hostels for female teacher-trainees in the governorates of Taiz, Hodeida, Ibb, Lahej, and Al-Mahra; and (iii) construction and furnishing of approximately ten living quarters for housing married and unmarried female teachers for schools constructed under the Project.
2. Incentives for Teachers. Recruiting female primary school teachers to schools constructed under the Project through provision of housing, housing allowances, or transportation allowances to female teachers.
3. Incentives for Teacher-Trainees. Increasing the number of female primary school teacher-trainees through provision of incentives for commuting and boarding female students.
4. Teacher Training Institutes. Improving the quality of primary school training through provision to selected teacher training institutes of instructional materials, science kits, and other supplies.
5. Procurement Management Capacity. Provision to the Project Implementation Unit of technical assistance and equipment for strengthening managerial capacities in procurement.

### Part B: Enhancement of Teacher Effectiveness

1. Construction. Construction, equipping and furnishing of a Distance Education Center through expansion of the Sana'a In-service Training Institute.
2. Distance Education. (i) Development of a distance education in-service teacher training program for upgrading the qualifications and competencies of primary-level teachers through preparation of a multimedia package consisting of printed self-learning materials, television and video programming, personal contact sessions, student counselling, and supervised practice teaching; and (ii) provision of training in preparation of learning materials, production of television and video programs, and student counselling.
3. Field Network. Establishment of a field network for distance education through provision of basic video equipment, vehicles and supplies.

### Part C: Improvement of Educational Quality

1. Curriculum and Textbook Development. Capacity building in curriculum and textbook development through: (a) provision of materials, including desktop publishing software, computers and related equipment for textbook revision, graphic design and final page preparation; (b) carrying out of surveys, studies and conferences for curriculum research, textbook writing and field-testing; and (c) technical assistance and training for manufacturing quality control measures.

2. Training for Supervision. Provision of technical assistance for the training of supervisors and headmasters in effective school and teacher supervision, including management, techniques of supervision, pedagogic guidance, distance education, and counseling and supervisory support.
3. Training and Equipment for Achievement Testing. Provision of technical assistance and equipment for: (a) capacity-building in national assessment of scholastic achievement; (b) the development of achievement tests; and (c) evaluation of trends in student performance and of the effectiveness of achievement testing.

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The Project is expected to be completed by June 30, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts for equipment and furniture and for printing of instructional materials shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Yemen may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

1. Contracts for works under Part A (1) of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Items or groups of items estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.
3. Items or groups of items estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
4. Contracts for books, training materials, audio-visual materials, copyrights and computer software, up to an aggregate amount equivalent to \$60,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.



Part D: Review by the Association of Procurement Decisions

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

(a) With respect to all contracts for goods awarded by international competitive bidding, the first ten contracts for civil works and any contract for civil works 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. To the extent practicable, the employment of consultants to assist in carrying out Parts B (2) and C of the Project shall be contracted in one or two packages. 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

1. The Borrower shall maintain the Project Implementation Unit ("PIU") established within the MOE with organization, staffing and terms of reference satisfactory to the Association. This unit shall at all times be managed by a Project Manager with qualifications and experience acceptable to the Association.

2. (a) The Borrower shall cause selected staff of MOE, by July 31, 1992, to visit countries where distance education is successfully being implemented and to visit firms and other institutions under consideration for the short list of consultants to provide educational services under the Project. The Association shall approve such study visits, including staff selected and scope of work to be carried out.

(b) The Borrower shall cause MOE, by November 30, 1992, to invite proposals from consultants to assist in carrying out Parts B (2) and C of the Project.

3. In carrying out Parts A (4), B (2) and C (1) of the Project,

the Borrower shall obtain copyrights prior to the printing, translation or adaptation of textbooks and other educational materials.

4. For the purpose of ensuring the proper supervision of the execution of the Project and to coordinate its components, the Minister of Education shall, by January 1, 1993, designate a Basic Education Coordination Committee with organization and terms of reference satisfactory to the Association, which Committee shall include representatives of the General Education, Training and Qualifying, Guidance and Evaluation, and Planning and Finance Departments of the MOE, the ERDC, and the PIU.

5. By March 31, 1993, the Borrower shall cause the MOE to develop a promotional campaign designed to: (i) encourage female teachers to teach in rural primary schools; (ii) publicize incentives designed to increase the number of female teachers; (iii) encourage enrollment of females from rural communities in primary teacher training programs; and (iv) encourage parents and guardians to enroll their daughters in teacher training institutes and in primary schools.

6. An individual with qualifications and experience satisfactory to the Association shall be appointed by June 30, 1993 to fill the position of Deputy Director-General for the Distance Education Center, on terms of reference satisfactory to the Association.

7. The Borrower shall, by June 30, 1993, cause the MOE to establish the Distance Education Center included in Part B (2) of the Project with an organizational structure satisfactory to the Association. In order to ensure that said Distance Education Center shall enjoy the flexibility required to carry out its academic activities effectively, said Center shall function directly under the Deputy Minister for Training and Qualifying of the MOE with oversight provided by a Distance Education Committee to be designated by and be directly responsible to the Deputy Minister for Training and Qualifying. The Distance Education Committee shall consist of the following: the Director-General for the In-Service Training Institute, the Deputy Director-General for the Distance Education Center, the Director-General for In-service Training of the Training and Qualifying Department, and representatives of ERDC, the Ministry of Information, and the General Education, Guidance and Evaluation, Planning and Finance Departments of the MOE. The Deputy Minister for Training and Qualifying shall be the head of the Distance Education Committee, and the Deputy Director-General for the Distance Education Center shall be its secretary.

8. Prior to the admission of the first group of teacher-trainees under the distance education program to be carried out under Part B (2) of the Project, the Borrower shall review with the Association a plan of action proposed to be carried out by the MOE for the in-service distance training of primary school teachers. Thereafter, on the basis of such exchange of views, the Borrower shall carry out a distance education in-service training program in accordance with a timetable agreed to by the Association, the Borrower and the MOE.

9. The Borrower shall cause MOE to carry out and complete, under terms of reference which shall have been approved by the Association:

(a) by June 30, 1993, a study to assess the in-service training needs of primary teachers and to identify teaching competencies for primary teachers; and

(b) by August 31, 1993, a feasibility study for training of females from rural communities for primary school teaching.

10. (a) The Borrower shall cause the MOE to certify teachers who have successfully completed the in-service distance training program and have passed qualifying examinations.

(b) The Borrower shall, by January 1, 1994, announce its

intention to reward such certified teachers with appropriate recognition and compensation.

(c) The Borrower shall, by January 1, 1996, ensure that such additional compensation is paid to teachers certified as having successfully completed the in-service distance training program and having passed qualifying examinations.

11. The Borrower shall cause MOE, by September 1, 1994, to introduce a program for lending of textbooks developed under Part C (1) of the Project to ensure that such textbooks are available for relending during successive academic years. The terms of reference for the consultants to assist in carrying out Part C (1) of the Project shall include a review of the distribution system for such textbooks.

12. (a) Without limitation to the provisions of Section 9.06 of the General Conditions, the Borrower shall, by March 31, 1995, provide the Association with detailed information concerning: (i) project activities and the progress achieved in increasing the access of girls to primary education, especially in rural communities, and (ii) terms of reference for a midterm review of project implementation.

(b) The Borrower and the Association shall, not later than June 30, 1995, hold a mid-term exchange of views on: (i) progress achieved in carrying out the Project and in increasing the access of girls to primary education, and (ii) recommendations for an action plan. Thereafter, on the basis of such recommendations and exchange of views, the Borrower shall cause MOE to carry out an action plan in accordance with schedule satisfactory to the Association.

13. Commencing January 1, 1996, or such later date as the Association shall agree, the Borrower shall ensure that progressive amounts for: (a) incentives to female teachers and female teacher-trainees, (b) costs of salaries of additional staff for Parts A (1) and B (2) of the Project, and (c) operation and maintenance for spare parts, materials, equipment and services for operation of educational facilities constructed under the project, all such amounts, satisfactory to the Association, are allocated in MOE's annual budgets, so that such amounts are ultimately incorporated fully into MOE's regular budgetary appropriations.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

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

