

CONFORMED COPY

CREDIT NUMBER 2080 DJI

Development Credit Agreement

(Manpower and Education Project)

between

REPUBLIC OF DJIBOUTI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 6, 1990

CREDIT NUMBER 2080 DJI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 6, 1990, between the REPUBLIC OF DJIBOUTI (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) by an agreement to be entered into between the Borrower and the United Nations Development Programme (UNDP) (the UNDP Agreement), the UNDP is to make a grant (the UNDP Grant) to the Borrower in an aggregate principal amount equivalent to \$429,000 to assist in financing the Project on the terms and conditions set forth in the UNDP Grant Agreement;

(C) by an agreement to be entered into between the Borrower and the European Development Fund (EDF) (the EDF Grant Agreement), the EDF is to make a grant (the EDF Grant) to the Borrower in an aggregate principal amount equivalent to \$400,000 to assist in financing the Project on the terms and conditions set forth in the EDF Grant Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, or 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 following modifications (the General Conditions), constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted; and
- (b) in Section 11.01 after the word "telex", the language ", telefacsimile" is added.

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) "Ministry" means the Borrower's Ministry responsible for national education;
- (b) "Directorate" means the Direction Generale of National Education within the Ministry;
- (c) "Research Center" means the Centre de recherche, d'information et de production de l'education nationale, the National Educational Research Center of the Borrower; and
- (d) "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 four million six hundred thousand Special Drawing Rights (SDR 4,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and 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 Djibouti francs a special account in a financial institution and 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 March 31, 1995, 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 restriction 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 April 15 and October 15 in each year.

Section 2.07. (a) subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15, commencing April 15, 2000 and ending October 15, 2029. Each installment to and including the installment payable on October 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, 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 with due diligence and efficiency and in conformity with appropriate financial, economic, administrative and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services 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, by September 30, 1990, staff the

Secretariat of its National Council for Training and Employment with at least two additional staff members holding at least junior college diplomas.

Section 3.04. During the carrying out of the Project, the Borrower shall ensure that at least 90% of primary school teachers be recruited at the level of assistant teacher (instituteur adjoint).

Section 3.05. The schools to be constructed under Part B of the Project shall be constructed only on sites and pursuant to designs satisfactory to the Association.

Section 3.06. In connection with the establishment of the Research Center included in Part C of the Project, the Borrower shall exchange views with the Association by May 31 of each year on the proposed work program of the Research Center.

Section 3.07. Following the completion of each study included in the Project, the Borrower and the Association shall exchange views on the results thereof and on their follow-up;

Section 2.08. The Borrower shall take such steps as shall be necessary to:

(a) replace, by March 31, 1991, pre-salaries for teacher trainees with indemnities at least one third less than such pre-salaries;

(b) cancel any new fellowships abroad for general secondary education beyond December 31, 1990;

(c) reduce by 60% the number of grants in support of secondary education to be given after January 31, 1991, while retaining criteria for eligibility for such grants designed especially to increase female enrollment in secondary education; and

(d) complete and make effective by January 31, 1991 new criteria for awarding fellowships for higher education and especially for providing incentives for the higher education of females, while freezing the related budget.

Section 3.09. Among the information to be furnished by the Borrower to the Association pursuant to Section 9.01 of the General Conditions, the Borrower shall furnish by June 30 and December 31 in each year during the carrying out of the Project semiannual reports on the status of the Project and the expenditures related thereto.

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 audited for each fiscal year 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.

Section 4.02. By November 15 in each year, the Borrower shall exchange views with the Association on the Borrower's proposed investment and recurrent expenditure budgets for the education sector for the coming fiscal year.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely that:

- (a) subject to paragraph (b) of this Section:
 - (i) 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
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:
 - (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
 - (ii) 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 event is specified, namely that the event specified in Section 5.01 (a) (ii) of this Agreement shall occur, subject to the proviso of paragraph (b) of such Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) any conditions precedent to the effectiveness of the UNDP and EDF Grant Agreements have been fulfilled, other than any related to the effectiveness of this Agreement;

(b) the Research Center has been legally established, its National Director appointed, and its operating budget for the first year authorized;

(c) two commissions of educators have been established to review the curricula for primary and for lower secondary education and to adapt them to current socio-cultural and economic conditions; and

(d) the statute for primary education inspectors has become effective.

Section 6.02. The date 60 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. The Minister of the Borrower responsible for finance 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 and National Economy
Djibouti
B. P. 13
Republic of Djibouti

Cable address:

Telex:

Ministry of Finance
and National Economy

994-5871 DH

Fax:

(253) 35-5049

For the Association:

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

Cable address:

Telex:

INDEVAS,
Washington, D.C.

440098 (ITT),
248423 (RCA) or
64145 (WUI)

Fax:

(202) 477-6391

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 DJIBOUTI

By /s/ Robley Olhayeh
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawals of the Proceeds of the Credit

1. The table below set 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	2,120,000	85%
(2) Furnishings, equipment, vehicles, textbooks:		100% of foreign expenditures 85% of local expenditures for ex-factory prices and 70% of expen- ditures for other items purchased domestically
(a) Part A of the Project	25,000	
(b) all other Part of the Project	565,000	
(3) Consultants' and experts' services:		100% of foreign expenditures for persons not resi- dents in Djibouti and 70% of local expenditures for services of other persons
(a) Part A of the Project	120,000	
(b) all other Parts of the Project	565,000	
(4) Training	70,000	100% of foreign expenditures
(5) Operating costs:		40%
(a) Part A of the Project	30,000	
(b) all other	80,000	

	Parts ex- cept Part B		
(5)	Studies, preparation of future investment projects	55,000	100%
(7)	Unallocated	970,000	
	TOTAL	4,600,000	

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (a) payments for expenditures made prior to the date of this Agreement, or (b) Part A of the Project until two additional employees with at least Junior College diplomas have been hired by the National Employment Service and the National Council for Training and Employment has been legally established and is operating.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the coordination of vocational training with the labor market, increase access to primary education, improve the quality of primary and first-cycle secondary education, increase the administrative capabilities of the Ministry while achieving better allocation of resources and reducing costs in the 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: Coordination of Vocational Training

1. National Service for Employment (NSE)

- (a) the development of a data base on national employment;
- (b) the carrying out of studies to redefine the role of the Vocational Training Center of the Ministry of Labor and Welfare;
- (c) restructuring the Directorate of Training and Employment within such Ministry;
- (d) training abroad of four of the NSE staff in labor statistics and administrative; and
- (e) the procurement for use in the above of equipment and furnishings.

2. National Council for Training and Employment (NCTE)

- (a) Establishment of the Council to be responsible for assuring proper linkages between vocational training and labor market, to propose adjustments in such training and to review investments thereof;
- (b) training of the staff in analysis of employment and qualification and training; and
- (c) the procurement for use in the above of equipment and materials.

Part B: Primary School Construction

Construction, equipment and furnishing of three primary schools in the suburbs of Djibouti City providing 36 classrooms and of one school at Ali Sabieh with nine classrooms for double-shift operation with a capacity of about 4,500 pupils.

Part C: Quality of Education

1. National Center for Educational Research, Information and Production (CRIPEN)

(a) Establishment of CRIPEN to provide the pedagogical support and leadership required to improve the quality of education and to adapt it to socio-cultural conditions;

(b) construction, equipment and furnishing of facilities for the center and the extension of the existing printshop;

(c) adaptation of curricula for primary and first-cycle secondary education and for primary teacher training, development of related teaching guides for primary education and evaluation of students' achievements;

(d) training abroad of four CRIPEN educators in measurement and evaluation, in methodology of teaching French and in the development of teaching materials; training of about 60 primary school directors in strategies for school effectiveness; and

(e) procurement of textbooks for mathematics and sciences and French and Arabic dictionaries for the last two years of primary education.

2. Inspectorates

(a) Construction, equipment and furnishing of two regional primary education Inspectorates at Tadjourah and at Dikhil and procurement of all-terrain vehicles for use by the inspectors.

(b) Training of two primary education inspectors.

Part D: Educational Management

1. Establishment of a Service for Educational Planning (SEP) through restructuring of the School Organization Office.

2. Carrying out by the SEP of:

(a) a program of collection and analysis of statistical data, especially concerning the unsatisfied demand in primary and higher education;

(b) preliminary study of costs and financing in the second and, subsequently, a follow-up study thereof;

(c) school mapping for primary and secondary education;

(d) a tracer study, conducted in collaboration with the Research Center, of vocational training graduates;

(e) an organizational and management study of the Ministry;

(f) annual reviews of the investment program for the educational sector, including proposals for the next annual program tranche and its budgetary implications; and

(g) studies and preparatory activities necessary for future investments in the sector.

3. Training abroad of five Ministry of education staff in budgeting, general administration and personnel, planning and school mapping.

4. The procurement for use by the SEP and of the existing Project Implementation Unit of equipment, furnishing and vehicles.

* * *

The Project is expected to be completed by September 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C of this Schedule, 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. For the purposes of inviting bids, contracts for goods and for works shall be grouped to the extent practicable into bid packages large enough to attract the optimum competition.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Djibouti 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. Subject to the provisions of paragraph 2 below, all contracts for civil works, and contracts for vehicles, equipment, furnishings or textbooks estimated after grouping under paragraph A.2 above to cost less than \$50,000 equivalent, may be procured on the basis of competitive bidding advertised locally, in accordance with paragraphs 3.3 of the Guidelines. The provisions of paragraphs 2.16 and 2.45 of the Guidelines shall apply to such procurement.

2. The total values of contracts for (a) civil works and (b) vehicles, equipment, furnishings and textbooks procured under paragraph 1 above shall not, without the prior approval of the Association, exceed, respectively, amounts equivalent to \$4.0 million and \$100,000.

3. Vehicles, equipment, furnishing and textbooks estimated after grouping to cost the equipment of \$25,000 or less per contract 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 paragraph 3.4 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more and each contract of vehicles, equipment, furnishings or textbooks estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association 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 paragraphs, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be

furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ such consultants and experts, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association, as shall be agreed between the Association and the Borrower. 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

A. National Council for Training and Employment

By September 30, 1990, assignment of two qualified and experienced staff to the Secretariat.

B. Research Center (CRIPEN)

1. By December 31, 1990, assignment of two educators;
2. by December 31, 1991, assignment of three more educators; and
3. completion:
 - (a) by June 30, 1991, the adaptation of the primary school curriculum;
 - (b) by December 31, 1991, the revisions of the curriculum for teacher training; and
 - (c) by June 30, 1992 the adaptation of the first-cycle secondary school curriculum.

C. Educational Planning Services

1. By December 31, 1991, assignment of a qualified staff member;
2. completion:
 - (a) by June 30, 1991, of the organizational study of the Ministry;
 - (b) by June 30, 1991, of the preliminary study on costs and financing in the educational sector;
 - (c) by June 30, 1992, of the study of school mapping at primary and secondary levels;
 - (d) by June 30, 1993, of the tracer study of vocational training graduates; and
 - (e) by December 31, 1993, the follow-up study on costs and financing in the educational sector.

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 of \$300,000 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 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 the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

(d) Refunds to the Association made pursuant to 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.

