

CONFORMED COPY

CREDIT NUMBER 3046-MAG

Development Credit Agreement

(Education Sector Development Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 9, 1998

CREDIT NUMBER 3046-MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 9, 1998, between REPUBLIC OF MADAGASCAR (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter, dated February 13, 1998, from the Borrower describing a program of actions, objectives and policies designed to promote and strengthen the Borrower's education sector development strategy (hereinafter referred to as "the Program"), and declaring the Borrower's commitment to the execution of the Program;

(C) Part E.2 of the Project will be carried out by Fonds de Développement de l'Enseignement Supérieur (FDES) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the FDES part of the proceeds of the Credit as provided in

this Agreement;

(D) the Borrower intends to reach agreement with other donors (Other Donors) in view of securing additional loans and grants (hereinafter referred to as Other Donors' Loans and Other Donors' Grants, respectively) in an aggregate principal amount equivalent to \$85,000,000 to assist in financing the Project on the terms and conditions set forth in agreements to be entered into between the Borrower and Other Donors (hereinafter referred to as Other Donors' Loan Agreements and Other Donors' Grant Agreements, as the case may be); 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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

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

(c) Section 6.03 is modified to read:

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

proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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

(a) "Beneficiary" means a private or public institution which is determined to be eligible for a Higher Education Grant in terms of the eligibility criteria specified in the Procedures Manual, and for whose benefit a Higher Education Grant is provided, or proposed to be provided;

(b) "Beneficiary Contract" means a contract referred to in paragraph 7 (e) of Schedule 4 to this Agreement;

(c) "BPC" means Bureau de Coordination du Projet, the Borrower's Project Management Unit referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(d) "FDES" means Fonds de Développement de l'Enseignement Supérieur, a Higher Education Development Fund established by the Borrower pursuant to Part E.2 of the Project;

(e) "FDES Convention" means the convention entered into between the Borrower and FDES pursuant to Section 3.04 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the FDES Convention;

(f) "Franc Malagasy" and "FMG" mean the currency of the Borrower;

(g) "Higher Education Grant" means a grant made or proposed to be made out of the proceeds of the Credit by FDES for the benefit of a Beneficiary pursuant to the FDES Convention to finance a Higher Education Subproject;

(h) "Higher Education Subproject" means a subproject under Part E.2 of the Project, or a feasibility study to finance preparatory activities relating to a Higher Education Subproject, in respect of which a Higher Education Grant is provided, or proposed to be provided, for the benefit of a Beneficiary;

(i) "MINESEB" means Ministère de l'Enseignement Secondaire et de l'Education de Base, the Borrower's Ministry of Primary and Secondary Education;

(j) "MINESUP" means Ministère de l'Enseignement Supérieur, the Borrower's Ministry of Higher Education;

(k) "Procedures Manual" means the Procedures Manual referred to in paragraph 4 (a) (ii) of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Procedures Manual;

(l) "Project Account" means either or both of the accounts referred to in Section 3.05 (a) of this Agreement;

(m) "Project Implementation Manual" means the Project

Implementation Manual referred to in paragraph 4 (a) (i) of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(n) "School-based Subproject" means a subproject undertaken, or due to be undertaken, pursuant to Part A.2 or B.3 of the Project; and

(o) "Special Account" means either or both of the accounts 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 forty seven million seven hundred thousand Special Drawing Rights (SDR47,700,000).

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: (i) 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 and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made for the benefit of a Beneficiary under a Higher Education Grant to meet the reasonable cost of eligible expenditures relating to a Higher Education Subproject, and in respect of which the withdrawal from the Credit Account is requested

(b) The Borrower may open and maintain in Dollars:

(i) one special deposit account in dollars in the name of BPC (hereinafter referred to as BPC Special Account) for the purposes of the Project (other than Part E.2 thereof); and

(ii) one special deposit account in dollars in the name of FDES (hereinafter referred to as FDES Special Account) for the purposes of Part E.2.

Special accounts shall be maintained in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be October 31, 2003 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the

respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2008 and ending December 15, 2037. Each installment to and including the installment payable on December 15, 2017 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a)

above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. FDES is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under Part E.2 of the Project and the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(i) shall carry out the Project (other than Part E thereof) through MINESEB, and Part E.1 of the Project through MINESUP, with due diligence and efficiency, and in conformity with appropriate administrative, financial, environmental, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause FDES to carry out Part E.2 of the Project with due diligence and efficiency, and in conformity with appropriate administrative, financial, environmental, and technical practices, and shall take or cause to

be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FDES to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 (other than Part E.2 thereof), and cause FDES to carry out Part E.2 of 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange

views with the Borrower on said plan.

Section 3.04 (a) For the purposes of Part E.2 of the Project, the Borrower shall conclude a convention with FDES (hereinafter referred to as the FDES Convention), whereby it shall agree to transfer on a non-reimbursable basis to FDES an amount of the Credit not exceeding such amount as may be allocated from time to time to Category (7) of the table in paragraph 1 of Schedule 1 to this Agreement, to be used to establish FDES, pursuant to Part E.2 of the Project, to provide Higher Education Grants to eligible Beneficiaries to finance Higher Education Subprojects, on the terms and conditions specified in paragraph 7 of Schedule 4 to this Agreement, and on such other terms and conditions as shall be acceptable to the Association.

(b) The Borrower shall exercise its rights under the FDES Convention in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive the FDES Convention or any provision thereof.

Section 3.05. (a) Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall open, in a commercial bank, and on terms and conditions satisfactory to the Association, an account in Francs Malagasy (hereinafter referred to as BPC Project Account), to be operated and maintained by BPC, for purposes of the Project (other than Part E.2 thereof), and another account in Francs Malagasy (hereinafter referred to as FDES Project Account), to be operated and maintained by FDES, for purposes of Part E.2 of the Project, into which the Borrower shall deposit from time to time its local counterpart contribution to the cost of the Project.

(b) The Borrower shall:

(i) make an initial deposit of FMG 2,000 million into BPC Project Account, and FMG 500 million into FDES Project Account; and

(ii) thereafter in each semester deposit into each of the Project Accounts an amount equal to the amount of the initial deposit referred to in sub-paragraph

(i) of this paragraph, or such other amount as shall have been agreed between the Borrower and the Association.

(c) Funds deposited in the Project Accounts shall be applied solely for the purposes of defraying the cost of expenditures incurred for the execution of the corresponding Parts of the Project, and not otherwise financed out of the proceeds of the Credit.

#### 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 BPC  
Special Account, for each fiscal year audited, in  
accordance with appropriate auditing principles  
consistently applied, by independent auditors  
acceptable to the Association;

(ii) have the records and accounts referred to in paragraph (a) of this  
Section including those for the Special Accounts for each  
fiscal year audited, in accordance with appropriate auditing  
principles consistently applied, by  
independent auditors acceptable to the Association;

(iii) furnish to the Association as soon as available, but in any case  
not later than six months after the end of each such year, the  
report of such audit by said auditors, of such scope and in such  
detail as the Association shall have  
reasonably requested; and

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

(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 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. (a) The Borrower shall cause FDES to maintain records  
and accounts adequate to reflect in accordance with sound accounting  
practices the operations and financial condition of FDES, and to register  
separately the operations, resources and expenditures related to the  
Project.

(b) The Borrower shall cause FDES to:

(i) have its records, accounts and financial statements  
(balance sheets, statements of income and expenses  
and related statements) and the records and  
accounts for the FDES 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 copies of the financial statements referred to in paragraph (a) above for such year as so audited; and (B) 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 such records, accounts and financial statements 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 cause FDES to:

(i) maintain, 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 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 expenditures 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

### Other Covenants

Section 5.01. The Borrower shall cause FDES:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial, environmental, and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, environmental, and technical

practices.

## ARTICLE VI

### Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) FDES shall have failed to perform any of its obligations arising under or out of this Agreement or the FDES Convention;

(c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that FDES will be able to perform its obligations arising under or out of this Agreement or the FDES Convention;

(d) the statutes of FDES shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FDES to perform any of its obligations arising under or out of this Agreement or the FDES Convention;

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FDES or for the suspension of its operations;

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

(A) the right of the Borrower to withdraw the proceeds of the Other Donors' Loans or Other Donors' Grants made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Other Donors' Loan Agreements or Other Donors' Grant Agreements, or

(B) any such other Donors' Loans shall have become due and payable prior to the agreed maturity thereof.

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

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after

notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (d) and (e) of Section 6.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

## ARTICLE VII

### Effective Date; Termination

Section 7.01. 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 Project Implementation Manual and Procedures Manual have been duly approved by the Association, and adopted by the Borrower;

(b) the Borrower has established an adequate financial management and accounting system, and a management information system to monitor performance indicators referred to in paragraph 4 (a) (i) of Schedule 4 to this Agreement, and selected the auditors referred to in Article IV of this Agreement, in accordance with Section II of Schedule 3 to this Agreement;

(c) FDES has been duly established, and the FDES Convention signed and delivered on behalf of the Borrower and FDES;

(d) the Project Accounts have been duly opened, and the amounts of the initial deposits deposited therein in accordance with Section 3.05 (b) (i) of this Agreement;

(e) the Project Coordinator, FDES Executive Director, and four Project Managers referred to in paragraph 3 (b) of Schedule 4 to this Agreement, shall have been duly recruited, in accordance with Section II of Schedule 3 to this Agreement; and

(f) the Borrower has made satisfactory progress in the implementation of its teacher recruitment and redeployment program in accordance with Part VI (Conditions Critical to the Success of the Program) of the Program, and the Implementation Schedule attached thereto.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that: the FDES Convention has been duly authorized or ratified by the Borrower and FDES, and is legally binding upon the Borrower and FDES in accordance with its terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.04. The obligations of the Borrower under Article IV shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VIII

Representatives of the Borrower; Addresses

Section 8.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economy  
Antananarivo 101  
Madagascar

Cable address:	Telex:
MINFIN Antanarivo	22489

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)

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

REPUBLIC OF MADAGASCAR

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Regional Vice President  
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:

Expenditures Category Financed	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of to be
(1) Civil works	17,600,000	80%
(2) Furnitures, equipment foreign and vehicles expenditures	4,200,000	100% of expenditures and 80% of local
(3) Purchase and distribution of textbooks and expenditures learning materials	9,800,000	100% of foreign expenditures and 80% of local
(4) Training expenditures	2,680,000	100% of foreign expenditures and 80% of local
(5) Consultants' services and audits	1,900,000	100%
(6) Operating costs	3,300,000	80%
(7) Higher Education Grants	3,670,000	100% of amounts of Grants disbursed
(8) Unallocated	4,550,000	
TOTAL	47,700,000	

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 "operating costs" means the incremental operating costs incurred under the Project by BPC on account of (i) local contractual staff salaries, (ii) travel costs and allowances, (iii) maintenance of vehicles and equipment, (iv) banking charges, and (v)

office rent, supplies and utilities.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement; or

(b) in respect of a Higher Education Grant, unless the Higher Education Grant has been provided in accordance with the procedures, and on the terms and conditions set forth or referred to, in this Agreement and the Procedures Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and consultants' services (firms) under contracts not exceeding \$100,000 equivalent, consultants' services (individuals) under contracts not exceeding \$25,000 equivalent, Higher Education Grants not exceeding \$20,000 equivalent, operating costs and training, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in its efforts to achieve universal access to primary education, support a gradual expansion and improvement of secondary education, and promote the modernization and diversification of higher education.

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: Primary Education

1. Provision of technical advisory services, and materials and equipment, to support the Borrower's strategy in a process of recruitment and redeployment of teachers, that takes account of constraints on redeployment, particularly in remote rural areas, present limits on the initial training of teachers, the perspective of decentralization of the management and administration of schools, and a pragmatic approach to the professional development of teachers and head teachers.

2. Provision of technical advisory services, and materials and equipment, to support the execution of school-based subprojects designed to improve access and learning outcomes in about 4,100 public schools, including:

(a) preparation, implementation, monitoring and evaluation of school contracts, defining the objectives established for the school year, the rights and obligations of the parties to the contracts, the schedules of activities included in the contracts, and the estimated costs and sources of financing thereof;

(b) provision of quality inputs to improve school management, teaching processes and staff development for some 9,400 teachers and 4,100 school heads; and

(c) construction or rehabilitation of some 9,400 classrooms, and provision of adequate infrastructure, furniture and equipment for such classrooms.

Part B: Secondary Education

1. Development of a school map indicating the needs of secondary education in the context of existing financial constraints, to be used for the guidance of MINESEB in the determination of investment priorities and the distribution of resources.

2. Provision of technical advisory services, and materials and equipment, to support a program of measures affecting secondary education, including (a) implementation of an information and sensitization program for the benefit of parents and the public at large, (b) suppression of the double shift system in lower secondary education, (c) increasing the sizes of classes, and (d) partial redeployment of educational personnel from upper secondary to lower secondary education, and from lower secondary to primary education.

3. Provision of technical advisory services, and materials and equipment, to support the execution of school-based subprojects in some 50 public secondary schools, using a similar approach as in the case of primary education under Part A.2 of this Schedule, including:

(a) provision of quality inputs to improve school management, teaching processes and staff development for some 600 teachers and 50 school heads; and

(b) construction or rehabilitation of some 375 classrooms, and provision of adequate infrastructure, furniture and equipment for such classrooms.

Part C: Access to Quality Textbooks and Teaching/Learning Materials

1. Production, design and testing of some 20 new titles, including teaching guides.

2. Printing and distribution of some 7.2 million textbooks and 0.3 million teaching guides to primary schools.

3. Distribution of basic teaching/learning materials to primary schools.

4. Provision of in-service training to teachers on the use of textbooks and educational materials.

Part D: Institutional Development

Provision of technical advisory services, and materials and equipment, to support institutional development activities pertaining to MINESEB and designed to assist in the implementation of the Program at central, provincial, regional and local levels, including strengthening of educational planning, bi-annual learning assessments at primary level, organization of workshops and networking of school administrators, human resources development and financial management strengthening, and pre-investment studies.

Part E: Higher Education

1. Provision of technical advisory services, and materials and equipment, to support a program of policies, measures and activities outlined in the Borrower's Master Plan for Higher Education published in January 1997, and designed to (a) bring about a re-examination of the traditional role of universities, and their structure of governance, (b) encourage the creation of private universities and institutions, and the development of new programs which respond rapidly and effectively to emerging needs, and (c) promote the creation of educational networks for research and new technologies, and for access to, and management of, knowledge, and its dissemination.

2. Establishment of a Fonds de Développement de l'Enseignement Supérieur (FDES) to provide grants to finance eligible subprojects for the benefit of public and private higher education institutions.

Part F: Project Management

1. Design and implementation of an adequate financial management and accounting system.

2. Preparation of accounts and financial statements referred to in Article IV of this Agreement.

3. Audit of accounts and financial statements referred to in paragraph 2 of this Part.

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The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in



bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Furniture, equipment and vehicles estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, and textbooks and teaching/learning materials estimated to cost less than \$100,000 equivalent per contract, as well as the distribution of textbooks and materials to schools, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Reference books and library books estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Furniture, equipment and vehicles estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Community Participation

Civil works required for Parts A and B of the Project, up to an amount not to exceed \$12,000,000 equivalent, as well as goods, works and services required for Part E.2 of the Project, shall be procured in accordance with procedures acceptable to the Association.

5. Procurement of Small Works

Civil works under Parts A and B of the Project estimated to cost less than \$30,000 equivalent per contract, up to an amount not to exceed \$12,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first five civil works contracts pertaining to each of the regions of the Borrower's territory affected by the Project, the following procedures shall apply:

(i) prior to the selection of any contractor under paragraph 4 or 5 of Part C of this Schedule, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under paragraph 4 or 5 of Part C of this Schedule, the Borrower shall provide to the Association a copy of the specifications and the draft contract;

(iii) in addition, the procedures set forth in paragraphs 2 (f) and 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants .

1. Quality-based Selection

Services for institutional studies estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services for audits estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of less than \$200,000 but more than \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this

Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

#### SCHEDULE 4

##### Implementation Program

1. (a) The Borrower shall maintain an Inter-Ministerial Working Party for the Education Sector, chaired by the Minister of Finance, and consisting of representatives of the Ministries of Finance, Budget, Civil Service and Vocational Training, as well as MINESEB and MINESUP, to be responsible, under terms of reference acceptable to the Association, for overall coordination of the Borrower's strategy for the education sector and, as such, to provide overall policy and strategic guidance for the Project.

(b) The Borrower shall maintain a suitably qualified and experienced official to be the coordinator of the Program and, as such, to be the Executive Secretary of Inter-Ministerial Working Party for the Education Sector.

2. (a) Subject to the general directives of the Inter-Ministerial Working Party referred to in paragraph 1 of this Schedule, and subject to sub-paragraph (b) of this paragraph, BPC shall be responsible for the overall coordination of the execution of the Project, including: (i) coordination of procurement and disbursement activities, and preparation of annual and quarterly progress reports, audits under Article IV of this Agreement, and work plans and training programs, under the Project, and (ii) monitoring of the achievement of objectives of the Project, and evaluation of the impact of actions and measures introduced on learning outcomes and student enrollment.

(b) Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall cause FDES to be responsible for coordination of the execution of Part E.2 of the Project, and, as such, to be responsible for coordination of procurement and disbursement activities, and preparation of annual and quarterly progress reports, audits under Article IV of this Agreement, and work plans and training programs, under Part E.2 of the Project.

3. (a) The activities of FDES under Part E.2 of the Project shall be managed by an Executive Director, having qualifications and experience acceptable to the Association, who shall report to an independent council, comprising representatives of key Ministries involved in the education sector, as well as designated representatives of the private sector, private higher education institutions and the business community.

(b) BPC shall be headed by a Project Coordinator, who shall be assisted by two Project Managers responsible for primary school level and secondary school level project-related activities, respectively, two other managers responsible for the accounting and procurement units, respectively, and the FDES Executive Director.

(c) The Borrower shall ensure that the high level positions of BPC, including those of the Project Coordinator, FDES Executive Director, and the four other managers referred to in sub-paragraph (b) of this paragraph, shall be kept filled at all times by appropriate officials, having qualifications, experience and terms of reference which shall have been communicated to, and deemed acceptable by, the Association.

4. The Borrower shall:

(a) prepare and transmit to the Association:

(i) a Project Implementation Manual, acceptable to the Association, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as shall have been agreed with the Association for purposes of the Project, including the processes and modalities to be used for the implementation of School-based Subprojects, and the model forms of contract to be used for such Subprojects;

(ii) a Procedures Manual, acceptable to the Association, giving details of all procedural arrangements for the preparation, approval and implementation of Higher Education Subprojects, including procedures for identification of Higher Education Subprojects and submission of requests for financing, criteria for the determination of eligible Beneficiaries and approval of Higher Education Subprojects, monitoring and evaluation processes, applicable procurement, disbursement and other implementation guidelines, and model forms of Beneficiary Contracts; and

(b) carry out the Project in accordance with procedures set out in the Project Implementation Manual and the Procedures Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators referred to in paragraph 4 (a) (i) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than November 30 of each year, undertake, in conjunction with the Association and FDES, a joint annual review of the Project or, in the case of the review to be undertaken not later than November 30, 2000, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower and FDES of their respective obligations under this Agreement, including:

(i) the progress achieved by the Borrower and FDES in the implementation of the Project, having regard to the performance indicators referred to in paragraphs 4 (a) (i) and 5 (a) of this Schedule;

(ii) a review of the proposed work plans and budget for the forthcoming fiscal year;

(iii) a review of the public expenditure program for the education sector, including the adequacy of budgetary support provided under the Project during the current year and proposed budgetary allocations for the forthcoming fiscal year; and

(iv) the performance of Beneficiaries in the implementation of Higher Education Subprojects;

(c) not later than one month prior to each annual review, furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of

the Project, and giving details, of the various matters to be discussed at such review; and

(d) following each annual review, undertake to act promptly and diligently in order to take, or cause FDES to take, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or cause FDES to implement, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

6. (a) The Borrower shall, not later than October 31 of each year, submit to the Association, for review and approval, proposed annual work plans and budget for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement activities, and such other particulars as the Association may require.

(b) The Borrower shall submit to the Association, for review,

(i) not later than one month after the end of each quarter, quarterly progress reports on the status of the Project; and

(ii) reports as needed on the award of contracts under the Project.

7. Further to Section 3.04 of this Agreement, the proceeds of the Credit provided for the establishment of FDES under Part E.2 of the Project shall be subject to the following additional terms and conditions:

(a) the amount so provided shall be used exclusively to provide Higher Education Grants to finance Higher Education Subprojects, in accordance with criteria, and terms and conditions, set forth in the Procedures Manual;

(b) applications for Higher Education Grants in excess of \$20,000, as well as the first three applications to be submitted to FDES for approval, irrespective of amounts involved, shall be submitted to the Association for prior review and approval;

(c) Higher Education Grants shall be provided for the sole benefit of Beneficiaries, and according to a cost-sharing formula, which shall be acceptable to the Association and specified in the Procedures Manual; provided, however, that:

(i) the proceeds of a Higher Education Grant shall not be used to finance taxes or duties levied on or in respect of eligible expenditures relating to a Higher Education Subproject, or any part thereof;

(ii) the amount of each Higher Education Grant shall not exceed 75 percent of the cost of the Higher Education Subproject; and

(iii) except as the Association may otherwise agree, Higher Education Grants provided in respect of a Higher Education Subproject shall not exceed: (a) an amount of \$100,000 equivalent; or (b) in the case of a feasibility study to finance preparatory activities relating to a Higher Education Subproject, an amount of \$20,000 equivalent; and

(d) goods, services and civil works required for the purposes of financing Higher Education Subprojects shall be procured in accordance with procedures acceptable to the Association, and set forth in the Procedures Manual;

(e) for purposes of each Higher Education Grant, FDES shall conclude a contract with the Beneficiary in the form of the model form provided in the Procedures Manual (hereinafter called Beneficiary Contract), setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, the amount of the Beneficiary's contribution to the cost of the Higher Education Subproject, details of cost recovery arrangements, if any, and the right of FDES to:

(i) require the Beneficiary to carry out the Higher Education Subproject with due diligence and efficiency and in accordance with sound technical, financial, and managerial standards and practices, and to maintain adequate records;

(ii) obtain all such information as the Association or the Borrower shall reasonably request relating to the implementation of the Higher Education Subproject and the performance of the Beneficiary thereunder; and

(iii) suspend or terminate the right of the Beneficiary to the use of the proceeds of a Higher Education Grant upon failure by such Beneficiary to perform its obligations under such contract.

8. For purposes of civil works under the Project, the Borrower shall take adequate steps to ensure that such works shall be undertaken with due regard to the need for adequate safeguards for the protection of the environment, and that adequate provisions to that effect are included in the relevant works contracts.

9. The Borrower shall have a technical audit undertaken in each fiscal year by independent auditors acceptable to the Association in order to determine, with respect to each Higher Education Subproject or School-based Subproject, whether, and to what extent, the provisions of this Agreement, the FDES Convention, the Project Implementation Manual and the Procedures Manual have been complied with, and to report accordingly on the Borrower's administrative, technical and managerial performance with respect to each such Higher Education Subproject or School-based Subproject.

10. The Borrower shall ensure that:

(a) the positions of School District Head, Deputy School District Heads, School Supervisors and School Heads shall be kept filled at all times by appropriate officials, having qualifications and experience which shall be acceptable to the Association, in each of the Districts in which a School-based Subproject has been, or is due to be, undertaken under the Project; and

(b) every school affected by a School-based Subproject shall be provided with the requisite number of school teachers.

#### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of BPC Special Account, Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and, in the case of FDES Special Account, Category (7) set forth in the said table;

(b) the term "eligible expenditures" means expenditures in

respect of the reasonable cost of goods and services required for the Project, as well as amounts paid or to be paid under Higher Education Grants, 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 to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in the case of BPC Special Account to \$4,000,000; and in the case of FDES Special Account to \$500,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) BPC Special Account shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) through (6) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for the Project (other than Part E.2 thereof) shall be equal to or exceed the equivalent of SDR3,600,000;

(ii) FDES Special Account shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (7) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part E.2 of the Project shall be equal to or exceed the equivalent of SDR700,000;

2. Payments out of each 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to, or at the time of, each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the



Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a 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 any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for a Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account 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 any 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 any 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 any 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 a 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.

