

CONFORMED COPY

CREDIT NUMBER 2352 SL

Development Credit Agreement

(Reconstruction Import Credit)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 15, 1992

CREDIT NUMBER 2352 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 15, 1992, between the REPUBLIC OF SIERRA LEONE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated March 13, 1992, 1992, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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

(b) "First Tranche" means the amount referred to in Schedule 1 to this Agreement equivalent to SDR 19,700,000 to be withdrawn from the proceeds of the Credit after the Effective Date in accordance with the provisions of the Development Credit Agreement;

(c) "Second Tranche" means an amount equivalent to SDR 5,900,000 to be withdrawn from the proceeds of the Credit after the First Tranche in accordance with provisions of the Development Credit Agreement;

(d) "Third Tranche" means an amount equivalent to SDR 5,800,000 to be withdrawn from the proceeds of the Credit after the Second Tranche in accordance with the provisions of the Development Credit Agreement;

(e) "BSL" means the Bank of Sierra Leone;

(f) "Project Unit" means the Project Unit referred to in Section 3.04 (a) of this Agreement;

(g) "SAPS Committee" means the Structural Adjustment Program Steering Committee referred to in Section 3.04 (b) of this Agreement; and

(h) "Technical Committee" means the Technical Committee

referred to in Section 3.04 (d) 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 this Agreement, an amount in various currencies equivalent to thirty-one million four hundred thousand Special Drawing Rights (SDR 31,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1993, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing October 1, 2002 and ending April 1, 2032. Each installment to and including the installment payable on April 1, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790

in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

Section 2.09. (a) The Governor of the Bank of Sierra Leone (BSL) is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts BSL with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$250,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited,

in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than four 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 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 audits 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 3.04. (a) The Borrower shall cause BSL to maintain a project unit (the Project Unit) in a form and with functions and staffing satisfactory to the Association. The Project Unit shall monitor: (i) the procurement of goods to be financed out of the proceeds of the Credit; and (ii) the withdrawal of said proceeds from the Credit Account.

(b) The Borrower shall continue to maintain its Structural Adjustment Program Steering Committee (the SAPS Committee) and its Secretariat in a form and with functions and staffing satisfactory to the Association. The SAPS Committee shall: (i) monitor the timely carrying out by the Borrower of policy actions required under the Program; and (ii) prepare, and furnish to the Association at such times and in such detail as the Association shall reasonably request, reports on the Borrower's economic performance under the Program.

(c) The Secretariat of the SAPS Committee shall, inter alia, assess and evaluate: (i) progress made by the Borrower in taking the policy measures contained in the Program; and (ii) the impact of the Program on the Borrower's economy.

(d) The Borrower shall establish and thereafter maintain a Technical Committee in a form and with functions and staffing satisfactory to the Association. The Technical Committee shall review the flow of goods required during the carrying out of the Program and resolve any competing claims and procedural issues relating to such goods.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Minister of Finance, Development and Economic Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Financial Secretary
The Ministry of Finance,
Development and
Economic Planning
Freetown
Sierra Leone

Cable address:

MINFIN
Freetown

Telex:

3363

Telefax:

225353

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

REPUBLIC OF SIERRA LEONE

By /s/ W. B. Wright
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Petroleum products, raw materials and spare parts	27,760,000	100% of foreign expenditures
(2) Currency notes	3,640,000	100% of foreign expenditures
TOTAL	31,400,000 =====	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods and services supplied from the territory of any country other than that of the Borrower.

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

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding SDR 12,700,000 may be made on account of payments made for such expenditures before that date but after November 1, 1990.

(b) expenditures under the Second and the Third Tranches for goods procured under contracts costing less than \$10,000 equivalent;

(c) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance; and

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

4. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$50,000 equivalent may be permitted by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

5. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after

the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 19,700,000 unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in Part A of Schedule 3 to this Agreement have been taken.

6. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the credit Account and the total amount of such commitments shall have reached the equivalent of SDR 25,600,000 unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in Part B of Schedule 3 to this Agreement have been taken.

7. If, after either of the exchanges of views described in paragraphs 5 and 6 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$200,000 or more shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require

the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Goods to be procured through international competitive bidding shall be exempted from pre-shipment price inspection by a third party.

3. Contracts for the procurement of goods estimated to cost the equivalent of less than \$200,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association; and

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Association may be used where considered appropriate under paragraph 3.5 of the Guidelines.

4. Subject to the prior approval of the Association, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association, in accordance with procedures acceptable to the Association.

5. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. With respect to each contract referred to in paragraphs 2 and 4 of this Schedule, the Borrower shall furnish to the Association, prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

7. The provisions of the preceding paragraph 6 of this Schedule shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

SCHEDULE 3

Actions Referred to in Paragraphs 5 (b) and 6 (b)
of Schedule 1 to this Agreement

Part A: Second Tranche Release Conditions

1. (a) The Borrower has prepared a 1992/93 revenue and recurrent expenditure programs and a 1992/93-1994/95 public investment program, satisfactory to the Association.

(b) The Borrower has taken appropriate measures to strengthen the Auditor General's Department including: (i) the recruitment for, or assignment to, the Department of an adequate number of qualified staff; and (ii) the provision to the Department of funds, facilities, services and other resources required by the Department for the carrying out of its responsibilities.

(c) The Borrower has completed the rescheduling of outstanding domestic claims of its creditors to the satisfaction of the Association.

(d) The Borrower has strengthened its expenditure budgeting and control system in its Ministries of Education, Health, Works and Agriculture with the assistance of consultants employed on terms and conditions satisfactory to the Association.

(e) The Borrower has taken measures to prohibit the incurrence by the Borrower and any of its agencies, without consultation with the Association, of new debt on non-concessional terms.

2. (a) The Borrower has: (i) reviewed its import duty exemptions to the satisfaction of the Association; and (ii) enacted appropriate legislation (A) revoking the powers to grant exemptions, and (B) prohibiting the extension of any such exemptions granted as of the date of this Agreement beyond their current expiration periods.

(b) The Borrower has extended its preshipment inspection requirements to all imports and exports.

(c) The Borrower has taken appropriate measures to improve its tax administration, in particular tax collection including: (i) the enactment of legislation providing for the Commissioner of Income Tax to conduct field audits; and (ii) the streamlining and reorganization of the Income Tax Department.

3. (a) The Borrower has reduced the number of daily workers, temporary and pensionable staff employed in the Civil Service by at least 10,000 on a net basis in 1991/92.

(b) The Borrower has made satisfactory progress in carrying out a census of schools and teachers in Sierra Leone.

(c) The Borrower has limited the recruitment of staff into the Civil Service strictly to essential Civil Service positions.

(d) The Borrower has put into effect a Civil Service salary structure for 1992/93 satisfactory to the Association.

4. (a) The Borrower has eliminated all subsidies to the National Diamond Mining Company Limited of Sierra Leone.

(b) The Borrower has established in its Ministry of Finance, Development and Economic Planning a monitoring capacity satisfactory to the Association to oversee the financial relationship between key public enterprises and the Borrower.

(c) The Borrower has completed a review, satisfactory to the Association, of a management contract for the provision of management services for the Sierra Leone Ports Authority.

(d) The Borrower has completed the divestiture of the Borrower's shares in the Sierra Leone Petroleum Refinery Company Limited.

5. (a) The Borrower has reviewed and revised the existing petroleum pricing formula so as to lower the petroleum distribution margin and increase tax revenues to the Borrower.

(b) The Borrower has adjusted pump prices for petroleum products using the pricing formula mentioned in (a) above.

6. (a) The Borrower has maintained the unrestricted private import of rice without price controls.

(b) The Borrower has maintained a liberalized trade system satisfactory to the Association for agricultural cash crops.

(c) The Borrower has restructured the capital base, and reorganized the operations, of its Marine Protection Services Sierra Leone Limited.

7. The Borrower has renegotiated its existing agreement with the Sierra Leone Ore and Metal Company Limited to bring it into conformity with the objectives of the Program.

8. The Borrower has: (i) agreed with the Association on the size and composition of the budgetary allocation which it will propose for the social sectors in the Borrower's 1992/93 budget; and (ii) made special budgetary provisions in said budget for its socially oriented programs.

Part B: Third Tranche Release Conditions

1. The Borrower has to the satisfaction of the Association: (i) completed a review of its tariff structure and its Development of Industries Act of 1983; and (ii) appropriately revised said structure and Act in accordance with the recommendations of the said review.

2. (a) The Borrower has simplified its tax structure.

(b) The Borrower has introduced in Parliament a consolidated Income Tax Bill.

3. (a) The Borrower has to the satisfaction of the Association completed a review of the functions and job positions of key ministries.

(b) The Borrower, using, inter alia, the results of the census mentioned in Part A.3 (b) above, has caused the names of "ghost" teachers and other such personnel to be removed from the payrolls and other records.

4. (a) The Borrower has caused accurate and up-to-date accounts to be established for the Guma Valley Water Company Limited, the National Power Authority, the Sierra Leone External Telecommunication Company Limited, the Sierra Leone Produce Marketing Board and the Bank of Sierra Leone.

(b) The Borrower has entered into performance contracts satisfactory to the Association with its key public enterprises.

(c) The Borrower has taken all actions necessary to divest itself of all its shares in the National Petroleum Company Limited and the National Insurance Company Limited.

(d) The Borrower has prepared a work program, satisfactory to the Association, for the setting up of the regulatory bodies to oversee the activities of public utilities.

(e) The Borrower has liquidated the National Diamond Mining Company Limited.

5. The Borrower has adjusted pump prices for petroleum products using pricing formula established pursuant to Part A. 5 (a) of this Schedule.

6. The Borrower has resumed the imposition of appropriate levels of duties on rice imports.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened and the actions described in Schedule 3 to this Agreement have been taken, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined

that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit, 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 Program, 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 shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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.

