

CONFORMED COPY

CREDIT NUMBER 2222 YEM

(Secondary Teacher Training Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1991

CREDIT NUMBER 2222 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1991, between REPUBLIC OF YEMEN (the Borrower) and 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; and

(B) the Borrower intends to contract from the OPEC Fund (the OPEC Fund) a loan in an amount equivalent to about \$9,300,000 (the OPEC Fund Loan) to assist in financing part of the Project on terms and conditions set forth in an agreement (the OPEC Fund Agreement) to be entered into between the Borrower and the OPEC Fund;

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

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

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

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

(a) "COE's" means the Colleges of Education of the University of Aden, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 23 of 1975, and any successor thereto;

(b) "FOE's" means the Faculties of Education of the University of Sana'a, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 118 of 1974, and any successor thereto;

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

(d) "MOHE" means the Ministry of Higher Education of the Borrower; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank of Yemen on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the

Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2001 and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A, Part B (1), Part B (2), Part B (3)(i) and (ii), Part C (3)(i) and Part C (4) of the Project through the University of Sana'a and Part B (3)(iii), Part C (1), Part C (2), Part C (3)(ii) and Part C (3)(iii) of the

Project through MOE with due diligence and efficiency and in conformity with appropriate educational, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

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

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The OPEC Fund Agreement shall have failed to become effective by March 31, 1992, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the OPEC Fund Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the OPEC Fund Agreement, or

(B) the OPEC Fund Loan 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 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b)(ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the OPEC Fund Agreement has been duly signed by the Borrower and the OPEC Fund.

Section 6.02. The date one hundred eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning and Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the

purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address: Cable address: Telex: Telex:  
CENPLAN CENPLAN YE  
Sana'a Sana'a

For the Association:

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

Cable address: Cable address: Telex: Telex:  
INDEVAS INDEVAS 197688 (TRT),  
Washington, D.C. Washington, D.C. 248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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

REPUBLIC OF YEMEN

By /s/ Mohsin A. Alaini  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael H. Wiehen  
Acting Regional Vice President  
Europe, Middle East and North Africa

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Parts A (1), A (2) and C (1) of the Project	6,300,000	80%

(2) Equipment, furniture, educational materials, books and copyrights	2,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services		
(a) for supervision of construction	300,000	100% of foreign expenditures and 90% of local expenditures
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) under Part B and Parts C (1), C (2) and C (3) of the Project	1,200,000	100% of foreign expenditures and 90% of local expenditures
(4) Fellowships and training under Parts B and C of the Project	1,900,000	100% of foreign expenditures and 90% of local expenditures
(5) Operation and maintenance under Part A (3) of the Project	500,000	30%
(6) Travel and subsistence allowances under Parts B, C (1) and C (3) of the Project	100,000	85% of local expenditures
(7) Unallocated	800,000	
	-----	
TOTAL	13,500,000	
	=====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

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

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in:

(a) increasing the number of qualified secondary school teachers, especially women and teachers in rural areas; (b) improving the effectiveness of the secondary school educational system; and (c) strengthening the Borrower's organization and planning capabilities for the secondary school educational system.

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: Pre-Service Training Facilities

1. Construction. Construction, equipping and furnishing of: educational facilities at the Sana'a, Taiz and Hodeidah FOE's, and dormitories for women students at the Sana'a, Taiz and Hodeidah FOE's.
2. Rehabilitation. Rehabilitation, equipping and furnishing of: existing facilities at the Sana'a and Taiz FOE's, the Aden COE, and existing dormitories for women students at the Aden COE and equipping and furnishing of facilities at the Ibb and Hajja FOE's.
3. Maintenance. Provision of operation and maintenance services at educational facilities for the training of secondary education teachers and administrators.

Part B: Pre-Service Curriculum and Resources

1. Curriculum. Provision of technical assistance, training, fellowships, seminars and materials: (i) to improve the curriculum for training of secondary teachers; (ii) to establish one-year certification programs at the Sana'a, Taiz and Hodeidah FOE's; and (iii) to establish and monitor the masters degree program at the Sana'a FOE.
2. Textbooks. Provision of technical assistance and fellowships for the development and pilot testing of textbooks in priority areas, including environmental sciences and acquisition of publication rights of textbooks for secondary education teachers.
3. Science Education. (i) Provision of technical assistance, equipment and materials to the University of Sana'a for the establishment of science resource centers and science method laboratories and for the development, testing and dissemination of other science instructional materials; (ii) provision of fellowships to the University of Sana'a for upgrading Yemeni science educators; and (iii) provision of technical assistance to the MOE for development of the curriculum for teaching of science in secondary level schools.

Part C: In-Service Training and Institutional Development

1. In-Service Training. Strengthening of MOE's in-service training capabilities through construction, equipping and furnishing of an in-service training institute and equipping and furnishing of regional training centers; and establishment and monitoring of a program for in-service training of secondary teachers and administrators.
2. Interministerial Coordination. Establishment of an advisory group for trained manpower to provide interministerial coordination in planning for manpower training, including forecasting of national demand for teachers and formulation of appropriate policies to meet such demands.
3. Educational Research and Practice. (i) Preparation by the University of Sana'a of a study to assess long-term



tertiary education needs; (ii) carrying out educational research and pilot projects by the MOE to stimulate innovation in education; and (iii) dissemination by the MOE of the results of such educational research.

4. Project Unit. Provision of fellowships to assist the University of Sana'a's project implementation unit to acquire skills in international procurement, project accounting and other project management skills.

\* \* \*

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

### SCHEDULE 3

#### Procurement and Consultants' Services

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

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

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for equipment and furniture shall be grouped in bid packages estimated to cost the equivalent of \$50,000 or more each.

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

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

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

1. Contracts for items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$400,000, may be awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

###### Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract to be awarded in accordance with the procedures described in Part A (1) hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out Part B, Part C (1), Part C (2) and Part C (3) of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Implementation Program

1. The Borrower shall maintain the project implementation unit established within the University of Sana'a with organization, staffing and terms of reference satisfactory to the Association.
2. The Borrower shall take all measures necessary to ensure that enrollment at each FOE and COE shall not exceed the capacity of such institution.
3. The Borrower shall take all measures necessary to ensure that any person who has not graduated from a FOE or COE will be required to complete the one-year certification program to be established under Part B (1) of the Project prior to appointment as a secondary school teacher.
4. The Borrower shall cause the University of Sana'a to require students of the program to be established under Part B (1)(iii) of the Project to complete a prescribed number of academic credits in order to obtain a Master's Degree.
5. In carrying out Part B (2) of the Project, the Borrower shall obtain copyrights prior to the printing, translation or adaptation of textbooks and other educational materials.
6. MOE shall maintain the High Supervision Committee to select the educational research and pilot projects to be carried out under Part C (3) with organization and terms of reference satisfactory to the Association. The Borrower shall cause the High Supervision Committee to select such educational research and pilot projects in accordance with criteria satisfactory to the Association. Prior to carrying out of any educational research and pilot projects estimated to cost more than US\$10,000 equivalent, the Borrower shall refer such project to the Association for its approval.
7. The Borrower shall ensure that an aggregate amount in local currency equivalent to at least \$250,000 shall be allocated in the 1995 budgets of the FOE's and the COE's and that an aggregate amount in local currency equivalent to at least \$500,000 shall be allocated annually thereafter for operation and maintenance of Project facilities.
8. Commencing in 1995, the Borrower shall ensure that amounts required for purchase of consumables to be used in training programs, satisfactory to the Association, are allocated in MOE's annual budgets.
9. The Borrower shall, by March 31, 1992, or such later date as

the Association may agree, cause the MOE to establish the in-service training institute included in Part C (1) of the Project with an organizational structure satisfactory to the Association. In order to ensure that said institute shall enjoy autonomy in the carrying out of its academic activities, said institute shall function directly under the Deputy Minister for Training and Qualifications, with oversight provided by an advisory committee with organization satisfactory to the Association.

10. For the purpose of ensuring proper coordination in the formulation of national policies on manpower training, the Borrower shall, by March 31, 1992, or such later date as the Association may agree, establish an advisory group for trained manpower with organization and terms of reference satisfactory to the Association, which shall include representatives of the following Ministries and Universities: MOE, MOHE, Ministry of Health, Ministry of Agriculture and Water Resources, Ministry of Planning and Development, Ministry of Civil Service and Administrative Reform, the University of Sana'a and the University of Aden.

11. For the purpose of ensuring proper coordination in the formulation of national policies on secondary teacher training, including admissions policies and deployment incentives, the Borrower shall, by March 31, 1992, or such later date as the Association may agree, establish an education subcommittee with organization, staffing and terms of reference satisfactory to the Association.

12. The Borrower shall cause the University of Sana'a to employ, by March 31, 1992, or such later date as the Association may agree, in accordance with the provisions of Section II of Schedule 3 to this Agreement, consultants to assist in carrying out Part B of the Project.

13. The Borrower shall cause the MOE to employ, by March 31, 1992, or such later date as the Association may agree, in accordance with the provisions of Section II of Schedule 3 to this Agreement, consultants to assist in carrying out Part C (1), Part C (2) and Part C (3) of the Project.

14. The Borrower shall cause the University of Sana'a, by January 31, 1994, or such later date as the Association may agree, to review with the Association the findings and recommendations of the study to be carried out under Part C (3) of the Project to assess long-term tertiary education and the measures proposed by the University of Sana'a to be taken on the basis of such recommendations. Thereafter, on the basis of such recommendations and exchange of views, the University of Sana'a shall carry out a tertiary education action program in accordance with a timetable agreed to by the Association, the Borrower and the University of Sana'a.

15. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall, not later than January 31, 1994, or such later date as the Association may agree, provide the Association with detailed information concerning project activities in preparation for a mid-term exchange of views on the progress achieved in carrying out of the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5) and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance

with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 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, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining

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

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

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

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

