

CONFORMED COPY

CREDIT NUMBER 2435 SL

Development Credit Agreement

(Public Sector Management Support Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 27, 1993

CREDIT NUMBER 2435 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 27, 1993, between the REPUBLIC OF SIERRA LEONE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; 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, (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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 28, 1992 and June 3, 1992 between the Borrower and the Association;

(c) "Project Executing Agencies" means the departments or agencies of the Borrower participating in the Project;

(d) "EAD" means the Economic Affairs Division of the Department of Finance, Development and Economic Planning;

(e) "SAPS Committee" means the committee referred to in Section 3.03 (b) of this Agreement;

(f) "EPRU" means the Economic Policy and Research Unit referred to in Part A (1) (d) of the Project;

(g) "PERDIC" means the Public Enterprises Reform and Divestiture Commission referred to in Part B (2) of the Project;

(h) "Petroleum Unit" means the Petroleum Unit referred to in Part B (3) of the Project;

(i) "SPPAC" means the Social Policy and Poverty Alleviation Committee referred to in Part B (4) of the Project;

(j) "Technical Advisory Group" means the Technical Advisory Group referred to in Part B (4) of the Project; and

(k) "SAPAU" means the Social Action Policy Alleviation Unit referred to in Part B (4) of the Project.

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 six million nine hundred thousand Special Drawing Rights (SDR 6,900,000).

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 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 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 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 May 15 and November 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 May 15 and November 15, commencing May 15, 2003 and ending November 15, 2032. Each installment to and including the installment payable on November 15, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the United States of America is

hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through the Project Executing Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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. (a) The Borrower shall continue to maintain the Economic Affairs Division (EAD) of the Department of Finance, Development and Economic Planning in a form and with functions and staffing satisfactory to the Association and shall assign to EAD overall responsibility for the administration, coordination and carrying out of the Project.

(b) The Borrower shall continue to maintain its Structural Adjustment Program Steering Committee (the SAPS Committee) in a form and with functions, membership and staffing support satisfactory to the Association. The SAPS Committee shall with the assistance of EAD: (i) oversee and monitor the carrying out of the Project; and (ii) review the annual work programs of each of the Project Executing Agencies before they are furnished to the Association for its approval.

(c) The Borrower shall cause the Project Executing Agencies to: (i) prepare for their respective components of the Project annual work programs satisfactory to the Association; and (ii) furnish the said annual work programs (A) no later than April 15 each year first to the SAPS Committee for its review and comments, and (B) thereafter no later than May 15 each year to the Association for its approval.

(d) The Borrower shall: (i) jointly with the Association, carry out in January 1995 a mid-term review of Project implementation and performance, with particular reference to institutional development strategy, project scope, implementation arrangements, training and skills transfer; and (ii) thereafter carry out such corrective actions as the Borrower and the Association shall determine in accordance with a time schedule satisfactory to the Association.

Section 3.04. (a) The Borrower shall assign counterpart staff with qualifications satisfactory to the Association to assist in the carrying out of assignments under the Project.

(b) The Borrower shall: (i) furnish to the Association for the Association's review and comments the results of the studies and reviews on Civil Service reform to be carried out under the Project; and (ii) prepare an action plan satisfactory to the Association (including a time table) for the carrying out of the recommendations of the said studies and reviews.

(c) The Borrower shall prepare and furnish to the Association: (i) a training program, satisfactory to the Association, for the training of staff and upgrading of staff skills under the Civil Service reform components of the Project; and (ii) the details of a strategy, satisfactory to the Association, to be used in the carrying out of the training program.

ARTICLE IV

Other Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) 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, or cause to be retained, until one year after the Association has received the audit report for the fiscal year in which the last disbursement 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 event is specified, namely, that the Borrower shall have failed to furnish to the Association by December 31, 1993: (i) the results and recommendations of the studies and reviews referred to in Section 3.04 (b) (i) of this Agreement; and (ii) the action plan referred to in Section 3.04 (b) (ii) of this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions the following additional event is specified, namely, the event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Termination

Section 6.01. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary of State for 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

MINFIN
Freetown

Telex:

3363 MINFIN SL

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:

197688 (TRT),
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 SIERRA LEONE

By /s/ W. B. Wright
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ F. J. Aguirre-Sacasa
Acting 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) Equipment, supplies and vehicles:		100% of foreign expenditures and 80% of local expenditures
(a) EPRU	40,000	
(b) SAPAU	40,000	
(c) Others	2,200,000	
(2) Consultant services, local contract personnel and studies	2,800,000	100%
(3) Training	1,130,000	100%
(4) Operating costs	490,000	90%
(5) Refunding of Project Pre- paration Advance	200,000	Amount due pursuant to Section 2.02 (c) of this Agreement

TOTAL	6,900,000 =====	

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; and

(c) the term "operating costs" means incremental operating costs arising out of the participation of a Project Executing Agency in the Project including with respect to:

(i) the following Project Executing Agencies, namely, PERDIC and the Petroleum Unit: (A) office rental and renovation costs, (B) the maintenance costs of vehicles, computer, office furniture and appliances, and office equipment procured out of the proceeds of the Credit, (C) field allowances, and incremental salary of local support staff hired by the agency for purposes of the Project, and

(D) cost of fuel for vehicles procured out of the proceeds of the Credit; and

(ii) all Project Executing Agencies (other than PERDIC and the Petroleum Unit): (A) the maintenance costs of vehicles, computer and office equipment procured out of the proceeds of the Credit, and (B) cost of fuel for vehicles procured out of the proceeds of the Credit.

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;

(b) expenditures under Category (1) of a Project Executing Agency unless: (i) the Project Executing Agency has furnished to the Association an annual work plan including a training plan satisfactory to the Association in respect of the year of the Project to which the expenditures relate; and (ii) the Association is satisfied that the Project Executing Agency concerned has in the year immediately preceding such year diligently carried out the Project in accordance with the annual work plan approved by the Association for such preceding year;

(c) expenditures of EPRU under Category (1) unless the Borrower has appointed the director of EPRU; and

(d) expenditures of SAPAU under Category (1) unless the Borrower has: (i) appointed the members of SPPAC and the Technical Advisory Group; and (ii) assigned to SAPAU staff with qualifications satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) carrying out its economic and civil service reform and development programs; (ii) administering donor aid provided for the said programs; and (iii) carrying out studies to determine the types of assistance required for the efficient carrying out of said programs. 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: Budgeting and Expenditure Control

(1) Strengthening of the budgeting, accounting and expenditure management skills of the Borrower including with respect to:

(a) the Budget Bureau, the Departments of Agriculture, Education, Health and Works, the employment of: (i) one budget and accounting expert to assist in strengthening the Budget Bureau and four other budget and accounting experts to assist in strengthening the Departments of Agriculture, Education, Health and Works; and (ii) a computer expert to be attached to the Budget Bureau and to assist in the computerization of the Borrower's budget system;

(b) the Accountant General's Office: (i) staff development, including training of staff of the Accountant General's Office in accounting at the Institute of Public Administration (IPAM), in-house training at Headquarters and in the field and limited overseas training; (ii) strengthening of internal audit procedures; (iii) the provision to the Accountant General's Office of computers, equipment, supplies and teaching materials; and (iv) employment of an internal audit expert to assist in the strengthening of the internal Audit Division of the Accountant General's Office;

(c) Auditor General's Department: (i) staff development, including (A) training of the Auditor General's staff in audit processes at IPAM, (B) in-house training and limited overseas

training, and (C) provision of in-house training facilities; (ii) the employment of (A) an auditing expert to assist the Auditor General's Department in carrying out audits and training staff, and (B) an audit documentation/training expert to assist the Department in (1) reviewing audit documentation, and (2) preparing an audit manual and standard questionnaires for operational and training use; (iii) the building up of an adequate data base for the Auditor General's Department and the introduction of new audit techniques in a computerized environment; (iv) provision of computers, equipment, books and supplies; and (v) printing of training materials;

(d) the Economic Policy and Research Unit, strengthening of the Unit's capability to carry out economic policy analysis including provision to the Unit of: (i) computer equipment and software; and (ii) adequate staff including local personnel employed on short-term contract basis;

(e) the Economic Affairs Division of the Department of Finance, Development and Economic Planning, strengthening of the Division including: (i) the training of the Division's staff in basic modern computer usage, word processing, spreadsheet, data base management, and specialized accounting packages; and (ii) the employment in the Division of a Project Adviser to (A) facilitate overall coordination, administration and carrying out of the Project, and (B) assist in strengthening the Division's project supervision, administration and implementation capabilities;

(f) the Central Tender Board, the strengthening of the Board including: (i) employment and assignment to the Board of a procurement specialist to assist in the development of procurement guidelines and procedures and their implementation; (ii) training of the Board's staff; (iii) assisting the Board to prepare semiannual reports on its operations; and (iv) provision to the Board of equipment and supplies; and

(g) the Cooperation and Coordination Division of the Department, strengthening the administration and coordination of donor aid including: (i) assisting the Division to administer technical assistance; (ii) training of the Division's staff; and (iii) provision to the Division of equipment and facilities.

(2) (a) Strengthening of the Structural Adjustment Program Disbursement Unit of the Bank of Sierra Leone including: (i) the employment for the Unit of a finance and disbursement specialist, an accounting expert, and a procurement specialist; (ii) training of staff of the Unit; and (iii) the provision to the Unit of equipment and facilities.

(b) Strengthening of the Bank of Sierra Leone including: (i) improving its accounting and reporting capabilities; and (ii) the employment of an expert to assist the Bank of Sierra Leone in reconciling and computerizing its accounts.

Part B: Economic Reform Program Support

Assisting the Borrower to carry out structural reforms of its economy, including:

(1) with respect to the Borrower's civil service reform program:

(a) strengthening of management services and manpower control, including: (i) a systematic review of staff resources and needs; (ii) local staff training; (iii) provision of equipment, facilities and incremental operating requirements; and (iv) establishment and maintenance of a unit to undertake, and carry out the results of, functional reviews and job inspections, and update job descriptions;

(b) revision of civil service remuneration policies and their administration, including: (i) a comprehensive review of the salary and allowances system; (ii) design and implementation of a simplified public sector grading system; and (iii) the carrying out

of requisite studies relating to remuneration, salary and allowances, grading and the merit pay system;

(c) strengthening of personnel policy and management, including (i) a comprehensive revision of the General Orders; (ii) an assessment of the computerization needs for establishing an efficient personnel information system; (iii) establishment of a computerized personnel information system in the Establishment Secretary's Office; and (iv) integration of the said system with the existing computerized payroll system for pensionable staff; and

(d) formulating and implementing a training strategy for the civil service, including: (i) in-house training for selected officials; (ii) assessment of training needs with the assistance of manpower development officers; (iii) preparation of training plans for departments and other central government agencies; and (iv) employment of consultants to assist in defining said strategy and preparing an action plan to carry it out.

(2) with respect to reform of the public enterprises sector:

(a) the strengthening of the Public Enterprises Reform and Divestiture Commission (PERDIC);

(b) the employment, on a fixed-term basis, and assignment to PERDIC of a managing director and local staff; and

(c) provision to PERDIC of equipment and supplies;

(3) with respect to petroleum procurement and pricing, the strengthening of the Petroleum Unit including:

(a) the employment of (A) a Director to head the Petroleum Unit, and (B) local staff on a fixed-term basis; and

(b) the provision to the Petroleum Unit of computer and office equipment and supplies;

(4) the Borrower's poverty reduction and social action programs, including:

(a) the establishment and maintenance of: (i) a Social Policy and Poverty Alleviation Committee (SPPAC) to determine priorities and assist in the formulation of appropriate policies and programs aimed at poverty reduction and the rehabilitation of the social sectors; (ii) a Technical Advisory Group to provide technical and analytical support to the Committee; and (iii) a Social Action and Poverty Alleviation Unit (SAPAU) to serve as the principal operational agency of the Borrower responsible for implementing the Borrower's action programs and policies dealing with poverty issues.

(b) the provision of logistical support to the Committee and the Technical Advisory Group including the training of their staff; and

(c) studies and research directed towards poverty reduction; and

(5) such other studies and other preparatory activities relating to the Borrower's structural reform program as the Borrower and Association shall determine.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

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

Part B: Other Procurement Procedures

1. Goods estimated to cost less than \$200,000 equivalent per contract (up to an aggregate amount not to exceed \$770,000 equivalent) may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than \$100,000 equivalent per contract (up to an aggregate amount not to exceed \$1,510,000 equivalent) may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Goods estimated to cost less than \$10,000 equivalent per contract (up to an aggregate amount not to exceed \$410,000 equivalent) may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: 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 estimated to cost \$50,000 equivalent or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) of said Appendix 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 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfac-

tory 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$500,000 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 of the Project, 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.

