

CONFORMED COPY

CREDIT NUMBER 2885 GH

Development Credit Agreement

(Basic Education Sector Improvement Program)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 16, 1996

CREDIT NUMBER 2885 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 16, 1996, between REPUBLIC OF GHANA (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;

(B) the Association has received a Letter of Basic Education Development Policy (the Policy Letter), dated May 16, 1996, from the Borrower describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's basic education sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the Republic of Germany (Germany), the United Nations Children's Fund (UNICEF), the United States Agency for International Development (USAID) and the Overseas Development Administration of the United Kingdom (ODA) loans and grants in an aggregate amount equivalent to approximately one hundred and four million dollars (\$104,000,000), during the period 1996-2000, to assist in financing activities included in the Program on the terms and conditions set forth in the respective loan and grant agreements (the Financing Agreements) to be entered into respectively between the Borrower and Germany, UNICEF, USAID and ODA; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and

conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereto set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

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

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) "Consultative Panel" means the panel comprising representatives of the Borrower, the Association and Donors set up to conduct reviews as provided in Schedule 4 to this Agreement;
- (b) "Donors" means the countries or organizations referred to in recital C of the Preamble to this Agreement and any other countries or organizations providing financial assistance for the Program;
- (c) "GES" means Ghana Education Service within MOE (as hereinafter defined);
- (d) "Operational Plan" means the plan to be submitted by the Borrower to the Association pursuant to Section 6.01 (a) of this Agreement and to be used for the purposes of implementation of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the Operational Plan;
- (e) "IOC" means Implementation Overview Committee, an inter-ministerial committee established by the Borrower on June 11, 1996 for the purpose of ensuring oversight of the Project;
- (f) "MOE" means the Borrower's Ministry of Education; and
- (g) "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 this Agreement, an amount in various currencies equivalent to thirty-four million seven hundred thousand Special Drawing Rights (SDR 34,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for 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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Association 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing December 15, 2006 and ending June 15, 2036. Each installment to and including the installment payable on June 15, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, management and educational practices, and in accordance with the Operational Plan, 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

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

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Prior to carrying out Part C.3 of the Project, the Borrower shall consult with the Association on the recommendations of the study referred to therein on the small-scale community-based educational scheme.

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, 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 nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### 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) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.
- (b)
  - (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Program shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or (B) any such 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 Program 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 events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has submitted to the Association the Operational Plan in form and substance acceptable to the Association; and

(b) the Borrower has prepared, in accordance with the provisions of Section II of Schedule 3 to this Agreement, a shortlist of independent auditors to be employed under the Project.

Section 6.02. 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

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

Minister of Finance  
Ministry of Finance  
P.O. Box M40  
Accra, Ghana

Cable address:

ECONOMICON

Telex:

2205 MIFAEPGH

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 Accra, Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Harry Sawyerr  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kaikhosrou Framji  
Resident Representative  
Ghana

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	7,620,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	5,680,000	100% of foreign expenditures and 90% of local expendi- tures
(3) Operating costs for:		
(a) Staff redeployment	1,390,000	95%
(b) Others	1,180,000	50%
(4) Consultants' services and studies	1,320,000	100%
(5) Training	7,480,000	100%
(6) Unallocated	10,030,000	
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TOTAL	34,700,000 =====	

2. For the purposes of this Schedule:

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

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

(c) the term "operating costs" means incremental expenditures incurred for the carrying out of the Project for travel allowances, office communication, minor office equipment and supplies, utilities, fuel, vehicle and equipment maintenance, and costs associated with the redeployment of MOE and GES staff.

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;

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts not exceeding \$250,000 equivalent, (b) services under contracts with consulting firms not exceeding \$100,000, (c) services with individual consultants under contracts not exceeding \$50,000, and (d) operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to assist the Borrower to implement a free, compulsory and universal basic education Program by: (i) improving the quality of teaching and learning outcomes; (ii) strengthening management of the basic education system; and (iii) improving access to, and participation in, basic education.

The Project, which includes activities envisaged under the Program, 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: Enhanced Quality of Teaching and Learning

1. Improving the quality of teachers in basic education through: (a) the provision of in-service training, (b) development and improvement of support systems for teachers, and (c) strengthening of school supervision.
2. Improving the quality of preservice training for basic education teachers through the restructuring and rehabilitation of teacher training colleges and training of tutors.
3. Establishment of a system for assessment and evaluation of student performance.
4. Acquisition of textbooks and related instructional materials for schools.
5. Improving school curriculum for basic education through the carrying out of a review and revision of the existing curriculum and the development of relevant instructional materials.

##### Part B: Management for Efficiency

1. Carrying out of an institutional and organizational analysis of the basic education system and development of changes in school administration.
2. Improvement of the capacity of MOE, GES and district-level authorities and staff involved in the education sector in staffing and personnel management, budgeting and financial management, performance monitoring and appraisal, including establishment and effective use of an education management information system through training, provision of equipment, vehicles and technical advisory services.

##### Part C: Improving Access and Participation

1. Carrying out of construction, rehabilitation and refurbishment of school buildings and facilities.
2. Implementation of measures to encourage the enrollment of girls in schools.
3. Carrying out of a study for the development of a scheme for financing small-scale community-based educational activities and implementation of the recommendations from such study.
4. Improving the dissemination of information and carrying out of



public awareness programs on educational developments.

\* \* \*

The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: General

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

###### Part B: International Competitive Bidding

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

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

###### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each, and contracts for works shall be grouped in bid packages estimated to cost \$2,000,000 equivalent or more each.

###### (b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

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

###### 1. National Competitive Bidding

(a) Goods estimated to cost less than \$250,000 equivalent per contract and up to an aggregate amount not to exceed \$4,000,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$8,400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. National Shopping

Small items of goods, equipment and materials estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,700,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Limited International Bidding

Goods estimated to cost \$250,000 equivalent or less per contract, and \$500,000 equivalent or less in the aggregate, which the Association agrees can only be purchased from a limited number of suppliers, regard-

less of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

#### 4. Direct Contracting

Educational software, spare parts and other small items which are of a proprietary nature and costing \$400,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

#### 5. Community Participation

Works under Part C of the Project costing \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,400,000 equivalent, may be procured in accordance with procedures acceptable to the Association.

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

#### 1. Procurement Planning

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

#### 2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

#### 3. Post Review

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

### Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, shortlists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## Implementation Program

### Project Coordination

1. (a) IOC shall be responsible for the overall coordination of the Project under the supervision of the Minister of Education. IOC will meet regularly to coordinate the various reform and decentralization initiatives, both within the education sector and at the broader public sector level.

(b) The Project coordinator, who is the Deputy Director General of GES, shall be responsible for the day-to-day operation of the Project, and for that purpose, the Borrower shall maintain this position until the completion of the Project. The Project coordinator shall, inter alia, have the responsibility of reviewing annual component and sub-component work plans under the Project, of operating systems of control and of convening progress review meetings. The Project coordinator shall be assisted by technical experts drawn from time to time from the departments involved in the carrying out of the Project.

### Operational Plan

2. Except as the Association shall otherwise agree, the Borrower shall, in the carrying out of the Project, apply the guidelines and procedures specified in the Operational Plan and shall not assign, amend, abrogate or waive the Operational Plan or any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

### First Consultative Panel Meeting

3. The Borrower shall, not later than February 28 of each year, convene a Consultative Panel meeting to carry out a comprehensive review of project implementation for the past year.

### Rolling Plans

4. The Borrower shall: (a) not later than May 31 of each year, furnish to the Association and Donors for review and comments its proposals for the three-year rolling plan for the education sector, including a detailed operational plan for the following year; and (b) implement the Program for such following year in accordance with the rolling plan and operational plan agreed with the Association and Donors.

### Second Consultative Panel Meeting

5. The Borrower shall, not later than July 31 of each year, convene a Consultative Panel meeting to carry out a comprehensive Project implementation review, and for the July 1998 review, a midterm review aimed at: (i) documenting progress made in meeting the objectives of the Program; (ii) identifying and resolving obstacles to implementation; and (iii) adjusting, in agreement with the Association and Donors, targets and corresponding programs to reflect progress achieved in the implementation of the Program in the prior years and ensuring responsiveness to changes to effectively achieve the objectives of the Program; and (iv) thereafter confirm and update financial commitments from the Association and Donors for the following year in light of the operational plan for the educational sector referred to in paragraph 4 above.

6. (a) The reviews referred to in paragraphs 3 and 5 above shall be conducted in accordance with indicators set forth in the Policy Letter.

(b) The Borrower shall, not later than four weeks prior to each review, furnish to the Association and Donors a report, in such detail as the Association and Donors shall reasonably request, including an evaluation of the progress achieved in Program implementation.

(c) Promptly after completing such reviews, the Borrower shall carry out recommendations arising out of said reviews, with due

diligence and efficiency and in accordance with appropriate practices, taking into account the Association's and Donors' comments thereon.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

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

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

(ii) Prior to or at the time of each 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;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 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.



