

CONFORMED COPY

CREDIT NUMBER 1873 ET

Credit Agreement

(Seventh Education Project)

between

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 8, 1988

CREDIT NUMBER 1873 ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 8, 1988, between PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA (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;

WHEREAS the Association has received a statement dated November 27, 1987 from the Borrower setting forth the actions to be carried out for the long-term development of the Borrower's education system (the Statement); 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 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOE" means the Borrower's Ministry of Education;

(b) "PMO" means the Project Management Office within MOE referred to in Part 1 of Schedule 3 to this Agreement;

(c) "CHE" means the Borrower's Commission for Higher Education;

(d) "EMPDA" means the Educational Materials Production and Distribution Agency within MOE;

(e) "SCMS" means the School Construction and Maintenance Service within MOE;

(f) "AAU" means Addis Ababa University;

(g) "AU" means Asmara University;

(h) "AUA" means Alemaya University of Agriculture;

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters and telexes dated June 24, 1987, June 26, 1987 and July 7, 1987 between the Borrower and the Association; and

(j) "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 fifty-three million Special Drawing Rights (SDR 53,000,000).

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 account in its Central Bank 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.

(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 September 30, 1994 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 at the rate of one-half of one percent ($1/2$ of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 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 March 15, 1998 and ending September 15, 2027. Each installment to and including the installment payable on September 15, 2007 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 having declared the objectives of the Project as set forth in Schedule 2 to this Agreement, reiterates its commitment to such objectives and, to this end, shall carry out the Project through MOE and CHE with due diligence and efficiency and in conformity with appropriate administrative, financial and educational 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 3 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 4 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 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

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 1905
Addis Ababa
Ethiopia

Cable address:

MINFIN
Addis Ababa

Telex:

21147

For the Association:

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

Cable address: Telex:

INDEVAS 440098 (ITT)
Washington, D.C. 248423 (RCA)

or

64145 (WUI)

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.

PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Girma Amare
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works, including works executed by force account	18,500,000	100% of foreign expenditures and 60% of local expenditures
(2) Furniture	1,900,000	100% of foreign expenditures and 60% of local expenditures
(3) Materials, equip- ment and vehicles	13,400,000	100% of foreign expenditures and 60% of local expenditures
(4) Consultants'	6,200,000	60% of local

	and specialists' services		expenditures for services of consultants and specialists domiciled within the territory of the Borrower and 100% of foreign expenditures and 60% of local expenditures for services of other consultants and specialists
(5)	Training and fellowships	3,200,000	100% of foreign expenditures and 60% of local expenditures
(6)	Preinvestment studies and pilot activities	1,500,000	100% of foreign expenditures and 60% of local expenditures
(7)	Operating costs under Parts B.1 (a), (b) and (c) of the Project	700,000	60% of local expenditures
(8)	Incremental Project administration expenses	160,000	60% of local expenditures
(9)	Refunding of Project Preparation Advance	440,000	Amount due under Section 2.02 (c) of this Agreement
(10)	Unallocated	7,000,000	
	TOTAL	53,000,000	

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 improve middle and higher level manpower training, to ensure the quality and equity of the Borrower's education system, and to strengthen its administration and management.

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: Manpower Development

1. Agricultural Education

(a) Establishment of a Faculty of Forestry Resources at Alemaya University of Agriculture (AUA), the construction, furnishing and equipping of classroom, laboratory, and workshop and administrative facilities.

(b) Expansion of the post-graduate programs at AUA for a maximum intake of 50 students per year and the construction, furnishing and equipping of classroom and housing facilities.

(c) Construction, furnishing and equipping of classroom, laboratory and staff and student housing facilities at AUA.

(d) Establishment of a Department of Arid Zone Agriculture at the Faculty of Sciences at Asmara University (AU) and the construction, furnishing and equipping of classroom, administration and housing facilities.

(e) Construction, rehabilitation, furnishing and equipping of facilities at Ambo and Jimma Junior Colleges of Agriculture and improvement of their curricula.

2. Engineering Education

Establishment of a Mechanical Engineering Department and an Industrial Engineering Department and strengthening of the Geology Department at AU and construction, furnishing and equipping of classroom, administration and housing facilities.

3. Post-graduate Programs

(a) Renovation of equipment and construction of staff housing for existing post-graduate programs at Addis Ababa University (AAU).

(b) Establishment at AAU of high level accounting and management programs for about 30 post-graduate students per year and the provision of equipment and textbooks.

(c) Establishment of short-cycle post-graduate programs at AAU and AUA.

4. Teacher Training

(a) Construction, furnishing and equipping of instructional facilities for training teacher degree candidates at AAU and AU.

(b) Construction, furnishing and equipping of instructional facilities and the provision of mass media and operational support for the Department of Adult Education and six teacher training institutes for in-service training of about 1,500 primary teachers per year and for summer upgrading courses.

Part B: Quality and Equity Improvement

1. General Education

(a) Development of a science curriculum and construction and equipping of laboratories and workshops at about 28 experimental schools.

(b) Enrichment of instructional methods and training of visiting teams of expert teachers and training of about 200 inspectors.

(c) Expansion of the production and distribution of textbooks to the school system and the general public.

(d) Construction of a warehouse and related office facilities for the Education Materials Production and Distribution Agency (EMPDA).

(e) Furnishing and equipping of about 34 higher secondary schools for practical courses on the basis of the criteria set forth in Annex 1 to this Schedule.

2. Higher Education

(a) Library development at about 9 higher educational institutions.

(b) Operational improvement of the Ethiopian School Leaving Certificate Examination.

3. Basic Education

Establishment of about 100 rural community education facilities, on the basis of the criteria set forth in Annex 2 to this Schedule, each consisting of a primary school, a classroom and a workshop for adult education, and staff housing.

Part C: Institutional Development

1. Strengthening of MOE's Office of Planning and External Relations Services, Project Management Office, Professional Training Center and SCMS.

2. Strengthening of CHE in the areas of policy development and management capability.

3. Strengthening of CHE in the areas of project preparation and implementation capability through assistance to its project implementation unit.

Part D: Pre-Investment Studies and Pilot Activities

Studies in fields to be agreed with IDA, such as accounting, modern information technology, maintenance practices in higher educational institutions, women in development and alternative training systems, leading to pilot activities.

* * *

The Project is expected to be completed by March 31, 1994.

ANNEX 1 TO SCHEDULE 2

Criteria for Selecting Higher Secondary Schools to be Equipped and Furnished

The Borrower shall select higher secondary schools for receiving equipment and furniture according to the following criteria:

1. The Borrower shall give first priority to schools which received incomplete equipment and furniture under previous projects financed by the Association, as set forth in a list of such schools to be furnished to the Association by June 30, 1988.

2. The Borrower shall give next priority to schools which are functioning as higher secondary schools but which have no or inadequate equipment and furniture, as identified by the pedagogical animation teams during their field work.

3. In order to determine these priorities, the Borrower shall take into consideration the following:

(a) schools which are totally unequipped and unfurnished;

(b) schools equipped and furnished under previous projects financed by the Association at which the equipment and furniture have served their useful life;

(c) schools which are not suitably equipped and furnished for the use of the present curricula; and

(d) schools which have been upgraded from lower secondary schools to higher secondary schools.

ANNEX 2 TO SCHEDULE 2

Criteria for Location of Primary Schools

In order to promote equitable distribution of educational opportunities through the provision of educational facilities to school age children and adults living in economically-deprived and under-privileged areas, the Borrower shall locate primary schools according to the following criteria:

1. Preference shall be given to communities of low economic development or rural areas where remote access or inadequate organization make full community participation impractical.
2. Priority for construction shall be given to those locations where primary school participation rates are below the national average.
3. Actual building sites shall be determined by the peasant association in the selected locations, using directives of MOE.

SCHEDULE 3

Implementation Program

Project Management

1. The Borrower shall: (a) maintain within MOE the Project Management Office (PMO) which shall be responsible for liaison with the Association and with all appropriate authorities of the Borrower, including CHE, for the carrying out of the Project and which shall have adequate powers, responsibilities and functions to coordinate execution of the Project, including, inter alia, the services furnished by consultants; (b) employ a project manager, a coordinator, an engineer and an accountant, whose experience and qualifications shall be acceptable to the Association; and (c) furnish to the PMO adequate funds and manpower resources to carry out its responsibilities.

2. (a) The Borrower shall, by April 30 of each year during execution of the Project, furnish through the PMO to the Association for review and comment a draft annual work program regarding the Project, each such work program to include: (i) a review of implementation in the current year; (ii) a detailed description of the work to

be carried out in the forthcoming year; and (iii) a proposed budget for the forthcoming year.

(b) The Association shall, within thirty (30) days after receipt of the draft annual work program, comment on such work program.

(c) The Borrower shall, by October 31 of each year during execution of the Project, furnish through the PMO to the Association a copy of the final annual work program for the forthcoming year, each such work program to take into account the comments made by the Association and the achievements of the prior year.

Post-graduate Programs

4. The Borrower shall: (a) furnish to the Association for review and comment the detailed plans for the short-cycle post-graduate programs to be established at AAU and AUA under Part A (3) (c) of the Project, including the plans for monitoring and evaluation of such courses by the Borrower; and (b) during each year of execution of the Project, monitor and evaluate such masters level courses taking into account the comments of the Association.

Enrollment at Alemaya University of Agriculture (AUA)

5. The Borrower shall take all measures necessary to ensure that the annual enrollment of new undergraduate students at AUA does not exceed manpower demand for each year of enrollment.

Fellowships

6. The Borrower shall, by May 31 of each year during execution of the Project, furnish to the Association for review and comment the schedule of fellowships proposed to be awarded, together with the detailed list of fellowship candidates and their proposed training programs.

Revolving Fund for Textbooks

7. The Borrower shall, by June 30, 1988, establish and thereafter maintain a revolving fund to facilitate the production and distribution of textbooks pursuant to Part B.1 (c) of the Project, such revolving fund to be established and operated on the basis of arrangements satisfactory to the Association.

Maintenance

8. The Borrower shall: (a) by May 31, 1989, carry out a study on the methods to improve its maintenance system for higher education facilities; (b) by August 31, 1989, furnish to the Association for review and comment the conclusions and recommendations of such study; and (c) thereafter implement, as appropriate, the recommendations of such study taking into account the comments of the Association.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Ethiopia 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. Civil works estimated to cost up to the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$12,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided, however, that civil works for which no responsive bids have been received may be carried out by SCMS by force account.

2. Furniture, equipment and construction materials estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Furniture for Part B.3 of the Project may be procured under contracts awarded directly to regional furniture production units.

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 for civil works estimated to cost the equivalent of \$400,000 or more, and each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the

Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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 the carrying out 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 and shall be employed in accordance with a schedule satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) 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 \$3,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.



