

CONFORMED COPY

CREDIT NUMBER 3254-EGT

Development Credit Agreement

(Private Sector and Agricultural Development Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 4, 2000

CREDIT NUMBER 3254-EGT

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 4, 2000, between ARAB REPUBLIC OF EGYPT (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) by an agreement (the Loan Agreement) of even date herewith between the International Bank for Reconstruction and Development (the Bank) and Principal Bank for Development and Agricultural Credit (PBDAC), the Bank has agreed to make a loan (the Loan) to PBDAC, with the guarantee of the Borrower, in an amount equal to one hundred million dollars (\$100,000,000) to assist in financing the Project on the terms and conditions set forth in the Loan Agreement;

(C) the Project will be carried out by PBDAC with the Borrower's assistance, and as part of such assistance, the Borrower will make available to PBDAC the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and PBDAC.

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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries".

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

(b) "Statute" means the Borrower's Law No. 117 for the year 1976 pertaining to the regulations of PBDAC's activities, as amended from time to time.

(c) "Subsidiary Loan Agreement" and "Subsidiary Loan" mean, respectively: (i) the agreement to be entered into between the Borrower and PBDAC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time; and (ii) the proceeds of the Credit made available pursuant to the Subsidiary Loan Agreement.

(d) "Project Agreement" means the agreement between the Association and PBDAC of even date herewith, as the same may be amended from time to time.

(e) "Sub-loan" means a loan made or proposed to be made by PBDAC to a Final Beneficiary for a Sub-project in part out of the proceeds of the Credit.

(f) "Sub-project" means a specific economically viable project for agricultural and rural investment to be carried out by a Final Beneficiary utilizing the proceeds of a Sub-loan.

(g) "Final Beneficiary" means any individual or private enterprise selected in accordance with the Credit Manual, as hereinafter defined, to which PBDAC proposes to make or has made a Sub-loan.

(h) "PMD" means the Project Management Department of PBDAC.

(i) "TAC" means the Technical Advisory Committee to be established by PBDAC pursuant to paragraph 7 (a) of Schedule 1 to the Project Agreement to advise on the implementation of the agricultural technology dissemination and promotion program.

(j) "ATU" means the Agricultural and Technical Unit to be established by the PBDAC pursuant to paragraph 7 (a) of Schedule 1 to the Project Agreement to implement

the agricultural technology dissemination and promotion program.

(k) "Business Plan" means the business plan of PBDAC, acceptable to the Association, dated March 31, 1999, as adopted by PBDAC's Board of Directors and confirmed by the Borrower's Minister of Agriculture, as the same may be amended from time to time.

(l) "Institutional Development Plan" means the institutional development plan of PBDAC, acceptable to the Association, dated March 31, 1999, as adopted by PBDAC's Board of Directors and confirmed by the Borrower's Minister of Agriculture, as the same may be amended from time to time.

(m) "BDAC" means any of the Banks for Development and Agricultural Credit, fully owned subsidiaries of PBDAC operating at the regional level.

(n) "Village Banks" means any of the village banks established as fully-owned subsidiaries of PBDAC to operate at the village level.

(o) "Market Premium" means a market-determined fee to be paid by PBDAC to the Borrower, as set forth in the Foreign Exchange Risk Coverage Scheme.

(p) "CAA" means the Guarantor's Central Auditing Agency or any successor thereto.

(q) "Total Earnings Assets" means the total revenue bearing loan and equity investments of PBDAC.

(r) "Audit" means the report provided by the independent auditing firm recruited pursuant to Section 6.01 (c) (ii) of the Loan Agreement.

(s) "Return on Total Assets" means the net pre-tax revenue of PBDAC, as a percentage of its total assets.

(t) "Administrative Costs to Total Assets Ratio" means PBDAC's total operating costs, including overhead and depreciation, but excluding costs related to provisioning for loan portfolio losses, as a percentage of total assets.

(u) "Capital Adequacy Ratio" means PBDAC's subscribed capital, including any general reserves and undistributed profits, but net of provisions for loan portfolio losses (as calculated by the auditors following standard CBE methodology and guidelines), as a percentage of total assets.

(v) "CBE" means the Central Bank of Egypt.

(w) "Credit Line" means the aggregate amount of the Loan and the Credit to be withdrawn by PBDAC on account of Sub-loans.

(x) "Strategy Statement" means PBDAC's statement, satisfactory to the Association, as adopted by the Board of PBDAC and confirmed by the Borrower's Minister of Agriculture.

(y) "Credit Manual" means PBDAC's operational manual, setting forth the eligibility criteria for Final Beneficiaries and lending procedures for Sub-loans, acceptable to the Association, as the same may be amended from time to time.

(z) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period starts on July 1 and ends on June 30 in each calendar year.

(a.1) "PBDAC" means the Principal Bank for Development and Agricultural Credit, the beneficiary and implementing and executing agency of the Project.

(a.2) "MOF" means the Borrower's Ministry of Finance.

## 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 five million and five hundred thousand Special Drawing Rights (SDR 55,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made by PBDAC for Sub-loans under Part A of the Project to meet the reasonable cost of goods and services required for the Sub-projects in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made, or if the Association agrees, to be made, on account of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit.

(b) For the purposes of the Project, the Borrower shall, through PBDAC, open and maintain in dollars a special deposit account (the Special 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 provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006 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 (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 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 January 15 and July 15 commencing July 15, 2009 and ending January 15, 2034. Each installment to and including the installment payable on January 15, 2019 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

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

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

Section 2.09 PBDAC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Section 2.10. The Borrower represents that it has designated its Ministry of Finance (MOF) for the purpose of handling, on behalf of the Borrower, debt service payments with respect to the Credit.

### 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 shall cause PBDAC to carry out the Project in accordance with the Project Agreement with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall relend the proceeds of the Credit to PBDAC under a Subsidiary Loan Agreement to be concluded between the Borrower and PBDAC under terms and conditions satisfactory to the Association, which shall include the following: (i) PBDAC shall pay the Borrower a commitment charge on the unwithdrawn amount of the Credit which shall be equal to that applicable to the Credit, and a service charge on the withdrawn amount of the Credit which shall be equal to that payable by the Borrower to the Association pursuant to the provisions of Sections 2.04 and 2.05 of this Agreement; (ii) the principal amount of the Subsidiary Loan repayable by PBDAC shall be the equivalent in the currency of the Borrower (determined as of the respective dates of withdrawal from the Credit Account or payments out of the Special Account) of the value of the currency or currencies withdrawn from the Credit Account; (iii) the principal amount of the Subsidiary Loan shall be repaid by PBDAC to the Borrower over a period identical to that specified for the repayment of the Credit pursuant to the provisions of Section 2.07 of this Agreement; and (iv) PBDAC shall pay a Market Premium to the Borrower.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or

waive the Subsidiary Loan Agreement or any provision thereof.

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 2 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by PBDAC pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower, through PBDAC, shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower, through PBDAC, shall:

(i) have the records and accounts referred to in paragraph (a)(i) 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 (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; 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.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) PBDAC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of this

Agreement, an extraordinary situation shall have arisen which shall make it improbable that PBDAC will be able to perform its obligations under the Project Agreement.

(c) The Statute, the Institutional Development Plan, the Business Plan, the Credit Manual or the Strategy Statement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PBDAC to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PBDAC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of Article VII of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower and PBDAC; and

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

## 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 Article XII of the General Conditions:

(a) the Subsidiary Loan Agreement shall have been executed on behalf of the Borrower and PBDAC;

(b) all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, other than the effectiveness of this Agreement; and

(c) PBDAC shall have established the financial management system referred to in Section 3.01 (a) of the Project Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) the Project Agreement shall have been duly authorized or ratified, and is legally binding upon PBDAC, in accordance with its terms; and

(b) the Subsidiary Loan Agreement shall have been duly authorized or ratified by the Borrower and PBDAC, and is legally binding upon the Borrower and PBDAC, in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of Article XII of the General Conditions.

## ARTICLE VII

### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of State for Planning and International Cooperation and the Head of the Sector for International and Regional Finance Organizations of the Ministry of International Cooperation of the Borrower are designated severally as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of International Cooperation  
(International and Regional Finance  
Organizations Sector)  
8 Adly Street  
Cairo, Egypt

Cable address:

Ministry of International  
Cooperation, Cairo

Facsimile:

391-5167

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 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Ahmed Mahmoud El-Dersh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Robert E. Hindle

Acting Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Sub-loans under Part A of the Project:		
(a)	11,000,000	85% of amounts disbursed by PBDAC



			for eligible Sub-projects
(b)	11,000,000		85% of amounts disbursed by PBDAC for eligible Sub-projects
(c)	11,000,000		85% of amounts disbursed by PBDAC for eligible
Sub-projects			
(2)	Goods under Part B of the Project	7,400,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost); and 70% of local expenditures for other items procured  locally
(3)	Consultants services and training under Part B of the Project	15,100,000	100%
	TOTAL	55,500,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement;

(b) expenditures in respect of Category 1 (b) of the table in paragraph 1 of this Schedule unless (i) the actions referred to in paragraph 6 (a) of Schedule 1 to the Project Agreement have been taken in a manner satisfactory to the Association; and (ii) amounts under Category 1 (a) of Schedule 1 to the Loan Agreement have been fully withdrawn. If PBDAC has not taken the actions referred to in (i) above within 365 days after the amounts allocated to Category 1 (a) of Schedule 1 to this Agreement and Category 1 (a) of Schedule 1 to the Loan Agreement have been fully disbursed, the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof; and

(c) expenditures in respect of Category 1 (c) of the table in paragraph 1 of this Schedule unless (i) the actions referred to in paragraph 6 (b) of Schedule 1 to the Project Agreement have been taken in a manner satisfactory to the Association and (ii) amounts under Category 1 (b) of Schedule 1 to the Loan Agreement have been fully withdrawn. If PBDAC has not taken the actions referred to in (i) above within 365 days after the amounts allocated to Category 1 (b) of Schedule 1 to this Agreement and Category 1 (b) of Schedule 1 to the Loan Agreement have been fully disbursed, the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

3 The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure under such terms and conditions as the Association shall specify by notice to the Borrower for: (i) goods under contracts not exceeding US\$100,000 equivalent; (ii) services of consulting firms under contracts not exceeding US\$100,000 equivalent; and (iii) services of individual consultants under contracts not exceeding US\$50,000 equivalent and; (iv) payments made on account of Sub-loans.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to promote rural and agricultural economic development through enhancing access of rural population to credit and financial services and to strengthen the financial viability of PBDAC through its transformation into a sound financial intermediary.

The Project consists of the following, subject to such modifications thereof as the Association and the Borrower may agree upon from time to time to achieve such objective:

Part A: Sub-loans for rural economic development, increased income and employment

The financing, through the provision of Sub-loans for agricultural and rural investment, of specific cost-effective, financially viable, economically profitable and environmentally sustainable Sub-projects by Final Beneficiaries.

Part B: Institutional strengthening

1. Preparation and implementation of a multi-year audit program of PBDAC and its affiliates.
2. Implementation of a comprehensive Institutional Development Plan, through technical assistance, including a new corporate, operational and managerial structure that would allow PBDAC full operational autonomy and efficacy, including the review of legal, auditing, operations, accounting and human resources processes, and upgrading of management information systems.
3. Improvement of accounting and financial reporting and extension of computerized integrated banking information systems to all of PBDAC's affiliates, branches and village banks.
4. Preparation of studies, including investment in modernization of irrigation systems, custom hires services and input trading, packing transporting and processing of agricultural products; and dissemination of information on new technologies and related financial services.
5. Implementation of new business development schemes and lending opportunities through the setting up of the TAC and ATU and provision of office equipment and vehicles for ATU.

\* \* \*

The Project is expected to be completed by June 30, 2006.

#### SCHEDULE 3

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, and 3 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 US\$3,000,000 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 US\$1,500,000 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 SDR5,000,000.

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, through PBDAC, shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts 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, through PBDAC, shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower, through PBDAC, 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, through PBDAC, 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, through PBDAC, 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, through PBDAC, out of the Special Account, the Borrower, through PBDAC, 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 Bank 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, minus the total amount of all outstanding special commitments 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.

