

CONFORMED COPY

CREDIT NUMBER 2537 TA

Development Credit Agreement

(Agricultural Sector Management Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 1993

CREDIT NUMBER 2537 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 1993, between THE UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated June __, 1993, from the Borrower describing a program for the implementation of the Borrower's institutional development objectives and strategy for the agricultural sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

- (a) "MOA" means the Borrower's Ministry of Agriculture;
- (b) "MOF" means the Borrower's Ministry of Finance;
- (c) "MDB" means the Marketing Development Bureau within MOA;
- (d) "PPMB" means the Project Preparation and Monitoring Bureau within MOA;
- (e) "CBS" means the Borrower's Central Bureau of Statistics within the Planning Commission;
- (f) "PSRC" means the Borrower's Presidential Parastatal Sector Reform Commission established pursuant to the Public Corporations (Amendment) Act, 1992;
- (g) "ISC" means the Inter-Ministerial Steering Committee chaired by the Principal Secretary of MOA referred to in paragraph 1 of Schedule 4 to this Agreement;
- (h) "ATC" means the Advisory Technical Committee referred to in paragraph 2 of Schedule 4 to this Agreement;
- (i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter dated December 29, 1992, from the Association to the Borrower and countersigned by the Borrower on December 31, 1992; 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 this Development Credit Agreement, an amount in various currencies equivalent to seventeen million three hundred thousand Special Drawing Rights (SDR 17,300,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in its central bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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 June 30, 1999, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 April 15 and October 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 April 15 and October 15 commencing October 15, 2003, and ending April 15, 2033. Each installment to and including the installment payable on April 15, 2013, 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 Kingdom of Great Britain and Northern Ireland 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 through MOA with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural sector practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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. The Borrower shall, until completion of the Project, consult with the Association prior to carrying out any changes in the structure of MOA.

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

Additional Event of Suspension

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions the Borrower has:

- (a) appointed the Project Training Officer, the Project Accountant, and the MOA Rationalization Task Manager referred to in paragraph 3 of Schedule 4 to this Agreement; and
- (b) prepared and furnished to the Association for its review the technical assistance proposals and letters of invitation for 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 at the time responsible for 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:

| | | |
|------------------------------------|-----------|---|
| (4) Training | 2,400,000 | 100% |
| (5) MOA rationalization activities | 1,410,000 | 100% |
| (6) Incremental operating costs | 4,230,000 | 100% of foreign expenditures and 100% of local expenditures in 1993/94 and 1994/95 and 60% of local expenditures thereafter |

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|--|--|
| (7) Refunding of Project Preparation Advance | 500,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |
| (8) Unallocated | 1,620,000 | |
| TOTAL | 17,300,000 ===== | |

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 "incremental operating costs" means vehicle operating costs, including spare parts and fuel, building and equipment maintenance costs, office supplies, rent, and personnel field allowances.

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

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

(b) expenditures made under Category (4) for a particular year, until the Association has approved the relevant comprehensive annual training program referred to in paragraph 6 (a)(i) of Schedule 4 to this Agreement; and

(c) expenditures made under Category (5) unless the Association has approved the relevant annual work program with regard to the rationalization activities of MOA.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen institutional capacity to formulate and implement the Borrower's agricultural development policies, strategies and programs.

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

Part A: Rationalization of the Functions and Strengthening of Management Systems of MOA

1. Carrying out activities related to supporting a process to:
 - (a) phase out about forty-eight already identified MOA non core functions;
 - (b) implement joint operation by MOA and private sector of about twenty identified activities;
 - (c) assist PSRC in the restructuring and privatization of about 80 agricultural parastatals; and
 - (d) strengthen MOA's capacity to manage the transition and to better perform remaining activities, including the planning and budgeting process, personnel management, management information systems, management training, procurement and accounting.
2. Carrying out of seminars and workshops, study tours and short-term training to support above activities.
3. Acquisition of office equipment and vehicles for above activities.

Part B: Policy Formulation and Implementation

1. (a) Preparation of sector policies including short and medium term policies and programs.
 - (b) Implementation of improved policy coordination and feedback through strengthening the Policy Analysis and Advisory Committee.
 - (c) Implementation of improved regulations and incentives to create an enabling environment for private sector development in agriculture.
 - (d) Development of a food security policy.
2. Preparation of a comprehensive staff training program and improving the work environment and facilities.
3. Improving feedback on policy implementation, strengthening data collection and improving dissemination of new policies.
4. Provision of seminars, workshops and training for staff.
5. Carrying out of studies and acquisition of vehicles and office equipment to support above activities.

Part C: Agricultural Information Systems and Services

1. Strengthening, rationalizing and expanding the agricultural sector information base through:
 - (a) carrying out a national sample census of agriculture;
 - (b) expanding subsequent surveys so as to provide adequate data for planning on an annual basis;
 - (c) carrying out a pilot survey in one of the main crops, using a different and more cost effective methodology, once the census is completed;
 - (d) providing the Crop Monitoring Early Warning System with adequate equipment for rainfall data collection; and

(e) improving communication equipment for better collection and dissemination of marketing and trade information by MDB.

2. Acquisition of vehicles, motor cycles, bicycles, equipment, reference books and professional journals.

3. Provision of training for MOA staff to support above activities.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

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

(a) For fixed-price contracts, the invitations to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Tanzania 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. Items or groups of items for goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$370,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. About twelve vehicles for the agricultural census under Part C.1 (a) of the Project, up to an aggregate amount equivalent to \$270,000, may be procured: (a) through the United Nations Inter-Agency Procurement Services Office; or (b) under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures

acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and vehicles estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

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

Part E: Pre-shipment Inspection

For the purposes of the pre-shipment inspection of goods imported under the Project, no price verification shall be conducted in respect of those goods to which Part A of this Section applies.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out of the Project, the Borrower shall employ consultants and specialists 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. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

Implementation Program

1. The Project shall be implemented under the overall direction of the Interministerial Steering Committee chaired by the Principal Secretary of MOA. The ISC shall consist of the four MOA Commissioners, the Director of the Personnel and Administration Department (MOA), and representatives of the Civil Service Department, PSRC, the Planning Commission, MOF and CBS. The ISC shall have responsibility for overall policy guidance, resource allocation and review for Project Implementation.

2. The ATC shall provide technical guidance, as well as, take leadership of the work of the various task forces under the Project. The ATC shall be chaired by the Commissioner for Planning and Marketing of MOA and shall consist of the Assistant Commissioners of MOA and a representative from CBS.

3. (a) A Project Secretariat attached to the Commissioner for Planning and Marketing of MOA and administered by a Project Coordinator shall support both the ISC and ATC. The Project Coordinator shall be assisted by a Project Accountant, a Project Training Officer, an MOA Rationalization Task Manager, a Project Procurement Officer, and a Project Administrative Officer.

(b) The Project Secretariat shall be responsible for the day to day administration of the Project, including accounting, procurement, disbursement and monitoring.

4. The MOA Rationalization Task Force shall direct the implementation of the rationalization of the functions as well as the strengthening of the management of MOA, including setting priorities, assigning roles and responsibilities and monitoring progress during implementation. The actual implementation shall be undertaken by Technical Task Groups who shall prepare detailed plans for phasing out individual functions or plans for cost recovery measures.

5. MOA shall collaborate with CBS through a Memorandum of Understanding in the carrying out of the agricultural information systems component.

6. (a) The Borrower shall by March 31 in each year commencing 1994, furnish to the Association for its review and approval an annual work program endorsed by ISC. Such annual work programs shall include, inter alia: (i) a comprehensive training program consisting, of on-the-job training, study tours, and local and international training; (ii) a program for the rationalization of MOA functions; and (iii) a program of policy analysis, together with an analysis of the results of the previous year's program.

(b) The Borrower shall furnish quarterly implementation reports, within 2 months of the completion of the quarter, to the Association for information and any necessary action.

7. The Borrower shall: (a) ensure that all training selections are made in accordance with criteria acceptable to the Association; and (b) furnish all selections for overseas training to the Association for its review and approval.

8. The Borrower shall not later than March 31, 1995, carry out jointly with the Association, a review of the experience with and effectiveness of, on-the-job training under the Project and personnel service contracts.

9. (a) The Borrower shall no later than June 30, 1996, carry out jointly with the Association, a mid-term review. Such review shall, inter alia, evaluate the: (i) progress made in implementing the Project; (ii) process by which technical assistance are recruited and managed; (iii) extent to which counterparts have been trained; (iv) training programs focussing on selection procedures and criteria, training provided and staff redeployed; and (v) experience with, and effectiveness of, on-the-job training and

personnel service contracts.

(b) In addition, such review shall cover the following:
(i) key recommendations arising from studies under the Project; and
(ii) the action plans for phasing out MOA functions designated for the private sector and cost recovery measures.

(c) The Borrower shall, three months before such review, prepare and furnish to the Association the reports needed to undertake the review.

(d) Promptly after the completion of the mid-term review referred to above, the Borrower shall take all necessary actions to implement the recommendations emanating from such review.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

(d) Refunds to the Association made pursuant to 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.



