

CONFORMED COPY

CREDIT NUMBER 1850 SO

(Power Rehabilitation and Energy Project)

between

SOMALI DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 17, 1987

CREDIT NUMBER 1850 SO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 17, 1987, between SOMALI DEMOCRATIC REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to contract from the European Investment Bank (EIB) a loan (hereinafter called the EIB Loan) in an amount equivalent to fourteen million seven hundred thousand dollars (\$14.7 million) to assist in the financing of the Project on the terms and conditions set forth in an agreement (hereinafter called the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(C) the Borrower intends to contract from the African Development Bank (AFDB) a loan (hereinafter called the AFDB Loan) in an amount equivalent to eight million Fund Units of Account (FUA 8.0 million) to assist in the financing of the Project on the terms

and conditions set forth in an agreement (hereinafter called the AFDB Loan Agreement) to be entered into between the Borrower and AFDB;

(D) the Borrower has obtained a grant from the Government of Italy (hereinafter called the Italian Grant) in an amount equivalent to sixty five billion Liras (Lit 65,000,000,000) to assist in the financing of the Project on the terms and conditions set forth in an agreement (hereinafter called the Italian Grant Agreement) entered into between the Borrower and the Government of Italy in April 1986;

(E) Part of the Project will be carried out by Ente Nazionale Energia Elettrica (ENEE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ENEE 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 ENEE;

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:

(a) "Project Agreement" means the agreement between the Association and ENEE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ENEE pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) "Special Accounts" mean the accounts referred to in Section 2.02 (b) of this Agreement;

(d) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated June 9, 1986; and June 30, 1986 and an exchange of letters dated March 22, 1987 and May 11, 1987 between the Borrower and the Association;

(e) "EPD" means the Energy Planning Department of the Borrower's Ministry of National Planning;

(f) "NWP" means the National Woodstove Project established within the Borrower's Ministry of Livestock, Forestry and Range;

(g) "RIP" means the Reference Investment Program developed by the Borrower as the least-cost program for power for the years 1987-1994; and

(h) "Fiscal Year" means the period from January 1 to December 31.

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 nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project 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 two special accounts in a commercial bank on terms and conditions satisfactory to the Association. Special Account A shall be opened for purposes of Parts A, B.1, B.2 and D.1 of the Project and Special Account B shall be opened for purposes of Parts B.3, C, and D.2 of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedules 3 and 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advances 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 Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1992 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 February 1 and August 1 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 February 1 and August 1 commencing February 1, 1998 and ending August 1, 2027. Each installment to and including the installment payable on August 1, 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.

Section 2.09. For purposes of Parts A, B.1, B.2 and D.1 of the Project, ENEE 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.

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall: (i) carry out Parts B.3, C.1, C.2 and D.2 of the Project through its Ministry of National Planning; (ii) carry out Parts C.3 and D.3 of the Project through NWP; and (iii) cause ENEE to carry out Parts A, B.1, B.2 and D.1 of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of ENEE therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ENEE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend, out of the proceeds of the Credit, an amount not exceeding the equivalent of \$10.3 million to ENEE under a subsidiary loan agreement to be entered into between the Borrower and ENEE, under terms and conditions which shall have been approved by the Association which shall include, inter alia, interest at 7.76% per annum, repayment of principal over 20 years including five years of grace and ENEE to bear the foreign exchange risk.

(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.

(d) For the purpose of carrying out Part A.5 of the Project, the Borrower shall enter into a Foreign Exchange Purchasing Agreement with ENEE under terms and conditions which shall have been approved by the Association for the purpose of selling to ENEE the proceeds of the Credit allocated to and withdrawn under Category 1 of the table in paragraph 1 of Schedule 1 to this Agreement to enable ENEE to purchase the required spare parts.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts A, B.1 and B.2 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

(b) In order to assist the Borrower in carrying out Parts B.3, B.4 and C 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 to 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.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03 through 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) shall be carried out by ENEE pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall: (a) not later than April 1, 1988, submit to the Association for review and comments its proposals for the energy sector institutional reform, and (b) take into account the views of the Association in developing its energy sector institutions.

Section 3.05. Without limitations to the generality of Section 3.01 of this Agreement, the Borrower shall take all measures necessary including the prompt authorization of the adjustments of ENEE's tariffs to enable ENEE to comply with the provisions of Sections 4.03 and 4.04 of the Project Agreement.

Section 3.06. The Borrower shall: (a) not later than June 30, 1989, submit to the Association for its review and comments the Household Energy Survey under Part C.2 of the Project, the Petroleum Procurement and Distribution Study under Part C.1 of the Project and the Commercial Woodfuel Study under Part C.3 of the Project; and (b) implement the recommendations of said studies taking into account the Association's views.

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 Parts B.3, C, D.2 and D.3 of the Project of the departments or agencies of the Borrower responsible for carrying them out.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Account B for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors accept-

able 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 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 (h) of the General Conditions, the following additional events are specified:

(a) ENEE 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 ENEE will be able to perform its obligations under the Project Agreement.

(c) Law No. 34 of 1973 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ENEE 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 ENEE or for the suspension of its operations.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for altering the market system for determining the exchange rate of the Somali shilling;

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such Agreement; and (B) adequate funds for the Project are available to the Borrower from the other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

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

(b) the events specified in paragraphs (b), (c), (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 2.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement and the Foreign Exchange Purchasing Agreement have been executed on behalf of the Borrower and ENEE;

(b) ENEE has submitted documentary evidence satisfactory to the Association showing that: (i) all arrears owed by the Borrower's Ministries and other public authorities to ENEE have been settled; and (ii) all arrears owed by ENEE to the Borrower's Ministries and other public authorities have been settled;

(c) ENEE has submitted documentary evidence satisfactory to the Association showing that ENEE has contracted insurance coverage of its plants and equipment;

(d) ENEE has signed a contract(s) with a consulting firm for Project Management, Operational Assistance, training and recruitment services;

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

(f) ENEE has submitted to the Association documentary evidence satisfactory to the Association showing that: (i) adequate land for the North power substation has been acquired; and (ii) the right of way for a high voltage transmission line from Bardhere to the North power sub-station has been obtained.

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) that the Project Agreement has been duly authorized or ratified by ENEE, and is legally binding upon ENEE in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ENEE and is legally binding upon the Borrower and ENEE in accordance with its terms.

Section 6.03. 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.

Section 6.04. The obligations of the Borrower under the provisions of paragraph (a) of Section 5.02 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for finance 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:

Ministry of Finance
Government of Somali
Democratic Republic
Mogadishu, Somalia

Cable address:

MINFIN
Mogadishu

Telex:

612 MINFIN
Mogadishu

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:

440098 (ITT)
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.

SOMALI DEMOCRATIC REPUBLIC

By /s/ A. A. Addou

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) Spare Parts under Part A of the Project	870,000	100% of foreign expenditures and 100% of local expenditures (ex-factory costs).
(2) Power Station Auxilliaries under Part A of the Project	1,210,000	100% of foreign expenditures, and 100% of local expenditures (ex-factory costs).
(3) Vehicles, Computers and other office equipment under:		100% of foreign expenditures
(a) Part A of the Project	270,000	
(b) Parts B.3, C.1 and C.2 of the Project	45,000	
(c) Part B.4 of the Project	45,000	
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Consultants' services and studies for:		100% of foreign expenditures
(a) Parts B.1 and B.2 of the Project	3,860,000	
(b) Parts B.3, B.4 and C of the Project	740,000	
(5) Training for:		
(a) ENEE	640,000	100%
(b) EPD	67,000	
(c) NWP	23,000	
(6) Refunding of Project Preparation Advances	1,160,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	770,000	
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TOTAL	9,700,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; 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 objective of the Project is to assist the Borrower: (a) improve the efficiency and reliability of power supply, (b) meet the demand for power in Mogadishu; (c) develop its capability in energy planning; and (d) promote energy conservation measures.

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: Power Generation and Transmission

1. (a) Rehabilitation and maintenance of power generation plants at the Gezira power station through the provision of one new power engine for a diesel generator, fire detection and prevention equipment and installation of a high intensity lighting scheme.

(b) Rehabilitation and maintenance of power generation plants at Centrale through the provision of a fuel treatment plant, fire detection and prevention equipment.

2. Installation of about 10 MW of heavy fuel-oil burning diesel generation at the North sub-station, and a 15 MW heavy fuel-oil fired steam unit at Gezira.

3. (a) Improving the power transmission system through the: (i) provision of materials and construction of a 33 kV over-head and underground feeder network; (ii) provision of materials and construction of 33 kV and 33/15 kV sub-stations; and (iii) provision of materials for power extensions to existing switch yards.

(b) Rehabilitation and maintenance of the 15 kV power system at Gezira through: (i) the provision of materials and the installation of a new 15 kV reticulation system; and (ii) the provision of materials for supplying power to about 20,000 new consumer units and replacement and upgrading of power distribution system to about 5,000 consumer units.

4. Provision of vehicles and repair tools, a radio communication system, computers, accounting and billing machinery, and other power-related equipment to ENEE.

5. Provision of spare parts for power generation equipment and for vehicles.

Part B: Technical Assistance

1. Improving ENEE's ability in Project management, procurement,

engineering design, construction supervision and commissioning of the Project.

2. Strengthening ENEE's management through the provision of technical assistance to carry out line-management functions.

3. Strengthening EPD's ability to carry out energy planning and administration functions through the provision of technical assistance and logistical back-up resources.

4. Strengthening NWP's ability to carry out work on store design, testing, marketing and distribution through the provision of technical assistance and logistical back-up resources.

Part C: Studies

1. Carrying out studies on petroleum procurement, refining, and marketing and on pricing of petroleum products;

2. Developing household energy supply and demand management strategies and power sub-sector investment analyses; and

3. Carrying out studies on wood fuel supplies and end-use.

Part D: Training

Local and overseas training for: (1) ENEE staff, (2) EPD staff and (3) NWP staff in various fields of energy planning.

* * *

The Project is expected to be completed by December 31, 1991.

SCHEDULE 3

Special Account A

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3)(a), (4)(a) and (5)(a) 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 \$800,000 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 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 Part A of 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 into 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.

Special Account B

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (4)(b) and (5)(b) 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 \$100,000 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 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 Parts B, C and D

of 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 into 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.

