

CONFORMED COPY

CREDIT NUMBER 1910 SE

(Development Management Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 9, 1988

CREDIT NUMBER 1910 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 9, 1988, between the REPUBLIC OF SENEGAL (the Borrower) and the 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 International Bank for Reconstruction and Development (the Bank) and the United Nations Development Programme (UNDP) have entered into an agreement (the SDA Project Document; RAF/86/037/A/01/42), dated November 12, 1987, making arrangements for the Bank to act as executing agency for an "Assessment of Social Dimensions of Structural Adjustment in Sub-Saharan Africa" to be co-financed by the Bank, UNDP, the African Development Bank and other donors (the SDA Program);

(C) the Borrower has indicated its interest in, and adherence to, the SDA Project Document by a letter dated March 14, 1988 addressed to the UNDP Resident Representative in the Republic of Senegal, thereby becoming a party to the SDA Project Document as fully as if it had signed said document directly;

(D) the Borrower intends to obtain from the Canadian International Development Agency (CIDA) a contribution (the CIDA Contribution) in an amount equivalent to 2.0 million dollars to assist in financing Part C of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

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

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

(a) "Interministerial Council" means the Borrower's inter-ministerial council for coordination and monitoring of its adjustment program, established pursuant to decree No. 85-057 of January 15, 1985, or any other interministerial council entrusted with the responsibility for coordination and monitoring of the Project;

(b) "CFAF" means the currency of the Borrower;

(c) "Contractual staff" means staff hired by the Borrower pursuant to the Borrower's own regulations under fixed-term contracts of not less than one and not more than five years;

(d) "DFP" means MFPT's Direction de la Fonction Publique, the Borrower's civil service department;

(e) "FY" and "fiscal year" mean the Borrower's fiscal year, starting on July 1 and ending on June 30;

(f) "MEF" means Minist`re de l'Economie et des Finances, the Borrower's ministry in charge of finances;

(g) "MFPT" means Minist`re de la Fonction Publique et du Travail, the Borrower's ministry in charge of civil service and labor;

(h) "MPC" means Minist`re du Plan et de la Coop`ration, the Borrower's ministry in charge of planning;

(i) "PAU" means the Project Administration Unit referred to in Section 3.03 (a) of this Agreement, established pursuant to a decision of the Minister of Plan and Cooperation, dated April 1, 1988;

(j) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters, dated March 10, 1987, May 18, 1987, October 7, 1987 and December 3, 1987, respectively, between the Borrower and the Association;

(k) "SCS" means MEF's Service Central de la Solde, the

Borrower's central payroll agency; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twelve million five hundred thousand Special Drawing Rights (SDR 12,500,000).

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 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 CFAF a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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 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, 1994 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 May 1 and November 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 semiannual installments payable on each May 1 and November 1 commencing November 1, 1998 and ending May 1, 2028. Each installment to and including the installment payable on May 1, 2008 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate economic, financial and public administration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall maintain a revolving account exclusively for the purposes of the Project and shall, after the initial deposit therein set forth in Section 6.01 (a) of this Agreement, replenish such account as and when required to ensure that, on the first day of each calendar quarter during each year the Project is executed, an amount satisfactory to the Association shall be available in such account to finance the Borrower's estimated contribution to the Project in such quarter.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) To administer the Project, the Borrower shall maintain the PAU in MPC headed by a project administrator reporting to the Minister in charge of Planning and with staff

including an administrative and financial assistant, an accountant and support staff.

(b) To coordinate and monitor the Project, the Borrower shall maintain the Interministerial Council, which shall inter alia be responsible for approving work programs of the concerned agencies, monitoring their implementation and evaluating achievements.

Section 3.04. The Borrower shall, not later than October 31 of each year, submit to the Association for its review and approval draft work programs for each Part of the Project for the following calendar year.

Section 3.05. The Borrower shall, not later than March 31, 1989, establish and thereafter maintain the study unit referred to in Part B.5 of the Project, with staff with the required experience and qualifications; said unit to be responsible inter alia for assisting MEF in the formulation of the Borrower's economic and financial policies.

Section 3.06. For the purpose of Part C of the Project, the Borrower shall establish and thereafter maintain a technical committee of users reporting to the Interministerial Council and including representatives of the main ministries concerned by said Part of the Project; said committee to be responsible inter alia for:

(a) adopting criteria and procedures for the selection and financing of the studies referred to in Part C.2 of the Project;

(b) ensuring that the design and implementation of the questionnaires, surveys and studies adequately reflect the needs of the concerned ministries; and

(c) monitoring such surveys and studies and publicize their results in order inter alia to contribute to the identification of projects.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals

from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

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

#### ARTICLE V

##### Remedies of the Association

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

(a) The Borrower shall have repealed, waived, modified or failed to enforce the criteria and procedures referred to in paragraph 3 (b) or 3 (c) of Schedule 1 to this Agreement without the Association's prior approval.

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant 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.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination 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 other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower has opened the account referred to in Section 3.01 (b) of this Agreement and has deposited therein an initial amount equivalent to 50,000 dollars;

(b) the Borrower has adopted a system for granting the performance incentives referred to in Part E.2 of the Project on

the basis of principles of objectivity, transparency and efficiency and in accordance with the Borrower's regulations; and

(c) the Borrower has adopted a system satisfactory to the Association for Project administration and monitoring, including administration of vehicles and equipment.

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

##### Representative of the Borrower; Addresses

Section 7.01. The Minister and the Secretary of State of the Borrower responsible for Finance are each 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:

Ministère de l'Economie et des Finances  
Rue Charles Laoué  
B.P. 4012  
Dakar, Senegal

Cable address:

MINIFINANCES  
Dakar

Telex:

3203 SG

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.

REPUBLIC OF SENEGAL

By /s/ Serigne Lamine Diop  
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) Office refurbishing works		
(a) for Part C	30,000	100%
(b) for other Parts	430,000	100%
(2) Vehicles, equipment and office furniture		
(a) for Part C	600,000	100%
(b) for other Parts	2,700,000	100%
(3) Consultants' services for Parts A, B, D and E	2,500,000	100%
(4) Training		
(a) for Part C	7,000	100%
(b) for other Parts	843,000	100%
(5) Studies for Parts A, B, D and E	275,000	100%
(6) Contractual staff		
(a) for Part C	620,000	100%
(b) for other Parts	1,330,000	100% up to SDR 400,000; 90% from SDR 400,001 to SDR 775,000; 80% from SDR 775,001 to SDR 1,100,000; and finally 50% above SDR 1,100,000
(7) Maintenance and incremental operating costs		
(a) for Part C	335,000	75%



(b) for other Parts	465,000	75%
(8) PAU operating costs	500,000	100%
(9) Refunding of Project Preparation Advance	1,100,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(10) Unallocated	765,000	
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TOTAL	12,500,000	

2. For the purposes of this Schedule:

(a) the term "maintenance and incremental operating costs" means the cost of: (i) maintenance contracts on computers, vehicles and office equipment; and (ii) office supplies and fuel;

(b) the term "PAU operating costs" means the cost of salaries and travel of PAU staff, fuel, office rent and supplies, maintenance of vehicles and equipment and utilities (water, electricity and telephone).

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) payments made for expenditures to be financed out of the proceeds of the Credit allocated to Category (5), unless the Borrower has adopted criteria and procedures satisfactory to the Association for the use and administration of such proceeds;

(c) payments made for expenditures to be financed out of the proceeds of the Credit allocated to Category (6), unless the Borrower has adopted criteria and procedures satisfactory to the Association for recruiting contractual staff on the basis of job descriptions and profiles, principles of objectivity and efficiency, and in accordance with the Borrower's regulations; and

(d) payments made for expenditures to be financed out of the proceeds of the Credit allocated to Categories (1)(a), (2)(a), (4)(a), (6)(a) and (7)(a), unless all conditions precedent to disbursements under any agreement for the financing of Part C of the Project have been fulfilled, and the committee referred to in Section 3.06 of this Agreement has been established.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Borrower's structural adjustment program, to strengthen its economic and financial management capacity, and to reduce its dependence on external technical assistance.

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: Strengthening of the National Planning System

1. Assessment and upgrading of planning capabilities of MPC and selected sectoral ministries, and gradual transfer to sectoral ministries of responsibilities for project identification, evaluation and preparation.

2. Implementation of a three-year rolling investment programming system, and systems for budgeting and monitoring investments.

3. Development of MPC's capability to formulate long-term development policies and to identify potential projects in the context of such policies.

4. Staff training for Part A of the Project.

Part B: Improvement of Economic and Financial Management

1. Increase in the efficiency of customs operations and fraud control through:

- (a) introduction of computerized data processing techniques;
- (b) improved valuation of imported goods;
- (c) training for customs inspectors; and
- (d) increased mobility of customs squads.

2. Expansion of the tax basis and improvement in tax collection through:

(a) improvements in fiscal control and in the management systems and organization of MEF's department of land and internal revenue;

(b) computerization of data processing; and

(c) establishment of a system of fiscal incentives fostering production and investment.

3. Improvement in management of the public debt, through:

(a) expansion of the Borrower's debt monitoring system;

(b) increasing capabilities to forecast debt service and commitments and formulate debt strategies; and

(c) timely debt reporting and analysis and follow-up of financial implementation of projects.

4. Rehabilitation of the statistical system, including:

(a) rapid production of provisional and final national accounts;

(b) evaluation of statistics needs of users;

(c) updating legislation governing collection of statistics;

(d) establishment and management of a national data base on enterprises and associations; and

(e) surveys of the informal sector.

5. Improvement in formulation and monitoring of economic and financial policies, including:

(a) establishment of a study unit in MEF; and

(b) conducting policy review seminars.

6. Staff training for each component of Part B of the Project.

Part C: Incorporation of Social Dimensions in Adjustment Programs

1. Establishment and operation of a permanent system of surveys on the standard of living of households.
2. In-depth socio-economic studies on the effects of adjustment programs to improve such programs by integrating social dimensions and to identify poverty-alleviation projects.
3. Staff training for Part C of the Project.

Part D: Modernization of Civil Service System

1. Improvements of the structures and procedures of DFP and SCS in order to:
  - (a) strengthen DFP's and SCS' organizational structure;
  - (b) establish systematic communication procedures between DFP, SCS and the personnel units of the ministries;
  - (c) computerize data processing for personnel management; and
  - (d) set up a training and development program for personnel staff.
2. Review of legal and policy framework governing the civil service, leading to:
  - (a) improved personnel practices;
  - (b) streamlining and updating of laws and regulations; and
  - (c) compilation and dissemination of personnel procedures.
3. Identification of staff redundancies and implementation of staff redeployment programs.
4. Staff training for Part D of the Project.

Part E: Project Administration, Incentives and Contractual Staff

1. Administration and follow-up of Project by the Project Administration Unit.
2. Implementation of a system and procedures for granting performance incentives to selected staff of the Borrower responsible for carrying out the Project or any part thereof.
3. Implementation of a system and procedures for the selection, employment and evaluation of contractual staff.

\* \* \*

The Project is expected to be completed December 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

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 the West African Economic Community 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. Goods estimated to cost less than the equivalent of \$100,000 per contract and civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$600,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers 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 estimated to cost the equivalent of \$50,000 or more and to each contract for civil works, 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 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ economic, financial, statistical, legal, public administration and other consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in

accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

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

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

(i) the Association shall have determined that all further withdrawals should be made by the Borrower

directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Association, 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.

