

CONFORMED COPY

CREDIT NUMBER 1994 TA

(National Agricultural and Livestock Extension
Rehabilitation Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 8, 1989

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 8, 1989, between UNITED REPUBLIC OF TANZANIA (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 has contracted from the African Development Fund (AfDF) a loan (the AfDF Loan) in an amount equivalent to 7,080,000 Fund Units of Account to assist in financing the Project on the terms and conditions set forth in an agreement (the AfDF Loan Agreement) to be entered into between the Borrower and AfDF; 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Sub-Account" means the sub-account to be opened under the Special Account for the financing out of the Credit of eligible local expenditures, as set forth in Section 2.02 (b) of this Agreement;

(c) "MALD" means the Borrower's Ministry of Agriculture and Livestock Development;

(d) "DisEO" means a District Extension Officer;

(e) "DEO" means a Division Extension Officer;

(f) "ACES" means the Assistant Commissioner for Extension Services in MALD;

(g) "FSR" means the Farming Systems Research Program;

(h) "SMS" means a subject matter specialist within the Extension Service;

(i) "MIS" means the Extension Management Information System under the Project;

(j) "OES" means an Overall Evaluation System under the Project;

(k) "Special Project Preparation Advance" means the two Special Advances granted by the Bank to the Borrower under the Special Project Preparation Facility pursuant to exchanges of letters between the Borrower and the Bank dated July 14, 1986, and August 4, 1986, and October 29, 1987, and December 1, 1987;

(l) "TSh" means Tanzania Shillings, the Borrower's currency; and

(m) "Project Area" means the area covered by the following regions, Tabora, Singida, Dodoma, Kagera, Rukwa, Shinyanga, Kilimanjaro, Mtwara, Lindi, Mwanza, Morogoro and Arusha.

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 Agreement, an amount in various currencies equivalent to thirteen million seven hundred thousand Special Drawing Rights (SDR 13,700,000).

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 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 a currency acceptable to the Association, a special account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement. The Borrower shall, for purposes of financing eligible local expenditures, open and maintain in TSh, a sub-account of the Special Account in a local commercial bank on terms and conditions satisfactory to the Association.

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

Section 2.03. The Closing Date shall be March 31, 1997, 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; 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 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 per cent (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 15 and August 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 February 15 and August 15 commencing August 15, 1999, and ending February 15, 2029. Each installment to and including the installment payable on February 15, 2009, 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 its Ministry of Agriculture and Livestock Development with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural and livestock extension 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, 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) The Borrower shall maintain within MALD, an Extension Unit to be headed by the Assistant Commissioner for Extension Services.

(b) The Borrower shall consult with the Association prior to making any material changes to the status and terms of reference of EU and ACES.

Section 3.04. The Borrower shall: (a) until September 30, 1989, maintain its present establishment for the Extension Service; (b) by September 30, 1989, furnish to the Association the revised establishment for the Extension Service in accordance with MALD's new structure; and (c) thereafter maintain the establishment at that level, with the recruitment of extension staff from fresh diploma/certificate holders being offset by attrition.

Section 3.05. The Borrower shall annually increase the budgetary allocations for agricultural and livestock extension over the levels provided in 1987/1988 fiscal year, to cover annual costs as agreed in the annual work program.

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 and the Sub-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 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 event is specified, namely, that:

(a) Subject to subparagraph (b) of this paragraph:

- (i) the right of the Borrower to withdraw the proceeds of the AfDF 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

(ii) AfDF Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or premature ending is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, the events specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that all conditions precedent to the effectiveness of the AfDF Loan, other than the effectiveness of this Agreement, have been fulfilled.

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 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, Economic Affairs and Planning
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:

TREASURY
Dar es Salaam

Telex:

41329

For the Association:

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

Cable address:

INDEVAS

Telex:

440098 (ITT)

Washington, D.C.

248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ a. M. Hyera
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Sven Sandstrom
Acting 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) Vehicles	4,000,000	100%
(2) Training	2,300,000	100% of local expenditures
(3) Consultants' services	1,480,000	100%
(4) Project recurrent operating costs	4,240,000	100% of local expenditures up to an aggregate amount of SDR 2,200,000; 95% of additional local expenditures up to an aggregate additional amount of SDR 800,000; 80% of additional local expenditures up to an additional aggregate amount of SDR 700,000 and 55% of additional local expenditures thereafter

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Refunding of Special Project Preparation Advance	270,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,410,000	
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TOTAL	13,700,000	

2. For the purposes of this Schedule the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to implement the first phase of developing an efficient, cost effective and sustainable agricultural extension service in Tanzania.

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:

Establishment of a streamlined organization and management structure for extension services within MALD, based on a single chain of command from headquarters to the field.

Part B:

1. Introduction of an extension system based on the Training and Visit extension methodology.

2. Provision of training, and supervision of extension activities conducive to the establishment of an efficient delivery system to enhance adoption of improved technologies by Project participants.

Part C:

1. Enhancement of MALD's extension planning and implementation capacity through the provision of technical assistance in specific fields.

2. Preparation of the second phase of the rehabilitation of the agricultural and livestock extension services.

Part D:

1. Construction and upgrading of about 300 staff houses, and rehabilitation of training facilities.

2. Provision through sales on credit to village extension workers of about 5,400 bicycles and to extension officers and monitoring and evaluation enumerators of about 575 motorcycles; provision for use by higher-level extension officers of about 97 four-wheel drive vehicles and related equipment and materials.

* * *

The Project is expected to be completed by September 30, 1996.

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 1985 (the Guidelines).

2. To the extent practicable, contracts for vehicles 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 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. Contracts for goods estimated to cost less than the equivalent of \$100,000 each, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Vehicle, spare parts and equipment estimated to cost less than the equivalent of \$20,000 per contract up to an aggregate amount not to exceed the equivalent of \$250,000, 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 estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such 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 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 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

Implementation Program

1. The Commissioner for Agriculture and Livestock Development within MALD shall be responsible for Project implementation, management, planning, budgeting, monitoring and evaluation. He shall be assisted by the ACES. The ACES shall ensure that:

(a) an adequate field organization structure, including Regional and District Agricultural and Livestock Development Officers, Regional and District Extension Officers, Subject Matter Specialists, a Division Extension Officer and Village Extension Workers, is set up, and a unified line of command is established and functioning between the field and headquarters;

(b) adequate coordination is established between the extension system and other activities and institutions dealing with the agricultural sector;

(c) relevant annual and long-term planning and budgeting, as well as bi-annual progress reports are prepared;

(d) planned extension rehabilitation activities are carried out; and

(e) monitoring and evaluation results are utilized as a management tool.

2. Until completion of the Project, MALD's Management Team chaired by the Principal Secretary and comprising the Commissioners for Agriculture and Livestock Development, Planning and Marketing, Research and Training, Manpower Development and Administration and Chief Accountant, shall provide broad policy directives, establishment of priorities, approval of annual program and budgets, and supervision of coordination between the extension system and other activities and institutions dealing with the agricultural sector. The Management Team shall meet at least once a quarter for this purpose.

3. To ensure linkages between extension and research, the Borrower shall:

(a) nominate specific liaison officers, and establish a detailed schedule of regular coordination and contacts between research and extension workers. Whenever an FSR activity is going on in a district, the research-extension liaison officer, would be seconded to the FSR. However, until the FSR covers all the Project Area, wherever a region and/or district coincides with a zonal research and training center, and/or a national research insti-

tute, a senior extension-research liaison officer would be nominated and posted to the relevant extension office;

(b) ensure that the research-extension liaison officer participates in FSR program planning at the zonal level, helps with selection of sites and farmers for on-farm trials, and arranges with extension staff for the supervision of a part of the adaptive trials that research staff may not be able to cover;

(c) ensure that both types of liaison officers organize regular monthly workshops at which the FSR team and/or such other research specialists, as may be needed, shall meet with extension SMSs and extension staff supervisors. During these workshops, extension staff shall be trained by research personnel, and provided with the latest research recommendations for advisory work, and extension staff shall acquaint researchers with problems encountered, which may need to be investigated; and

(d) ensure that an annual research-extension workshop be held at zonal research stations, including senior research and extension staff and farmers' representatives at the time when research program planning takes place to: (i) ensure an input by farmers and the extension service in planning the zonal research program; (ii) plan the seasonal extension timetable and timing of the regular research/extension workshops; and (iii) set up the on-farm trials program.

4. (a) The ACES shall prepare annual work programs to organize the implementation of agricultural and livestock extension activities in the Project Area, and to supervise their implementation, taking the Association's comments into account. Such annual work programs shall include:

- (i) a review of implementation of agricultural and livestock extension activities during the previous year;
- (ii) a detailed description of work to be carried out in the forthcoming year including objectives, staff and farmers training, monitoring and evaluation activities, deployment of staff and equipment, construction plans and procurement schedules;
- (iii) requirements for additional staff;
- (iv) requirements and arrangements for technical assistance and training; and
- (v) a budget and financing plan.

(b) The Borrower shall, commencing 1990, furnish such annual work program to the Association by March 1 each year for its review and comments. The first such annual work program shall be furnished to the Association by November 30, 1989.

(c) The Borrower shall by not later than three years after the Effective Date undertake, under terms of reference satisfactory to the Association, an implementation review of the Project with the Association and AfDF.

(d) The Borrower, during the fifth year after the Effective Date, prepare terms of reference satisfactory to the Association, for the preparation of the second phase of the rehabilitation of the extension services.

5. The Borrower shall introduce a Monitoring and Evaluation System which shall comprise an MIS and an OES for the Project. Detailed design and implementation schedules of the MIS and OES shall be furnished to the Association for comments and approval not later than six months after credit effectiveness.

6. (a) The Commissioner for Agriculture and Livestock Develop-

ment shall, inter alia, be responsible for setting up and implementing national extension policies and strategies aimed at coordinating activities carried out under different projects and this Project.

(b) The Borrower shall:

- (i) during the first year of Project implementation, design extension strategies and coordination policies and mechanisms, discuss and agree upon them with the Association and other donors and include them in the first annual work program; and
- (ii) initiate during the second year of Project implementation, the coordination of extension activities in on-going agricultural development projects.

7. The Borrower shall include in its first annual work program for the Project:

(a) a new certificate training program, at the Livestock Training Institutes and Agricultural Training Institutes; and

(b) the scope of future training in such institutes in the various disciplines.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 \$750,000 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 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 said documents and other evidence. The Special Account shall not be replenished on account of deposits made into the Sub-Account unless the proceeds of such deposits have been used to make payments for eligible expenditures.

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. In addition to such documents, when the Borrower requests replenishment of the Special Account for funds deposited into the Sub-Account which have already been disbursed, the Borrower shall also furnish to the Association, prior to or at the time of such request, the bank statements of the Special Account and the Sub-Account.

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; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the

Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

