

CONFORMED COPY

CREDIT NUMBER 2139 UNI

Development Credit Agreement

(Federal Universities Development Sector
Adjustment Credit)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 1990

CREDIT NUMBER 2139 UNI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 18, 1990, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated April 30, 1990, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Federal University System of the Borrower's education sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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

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

(b) "FME" means the Borrower's Federal Ministry of Education;

(c) "PIU" means the Project Implementation Unit within FME;

(d) "NUC" means the Borrower's National Universities Commission, established as a statutory entity under the National Universities Commission Decree No. 1 of 1974, as amended to date;

(e) "SLB" means the Borrower's Students Loans Board established under the Students Loans Board Decree No. 12 of 1988, as amended to date;

(f) "Academic year" means the period commencing in September and ending in June the following year;

(g) "Eligible University" means a federal university which has met the eligibility criteria referred to in Schedule 4 to this Agreement;

(h) "First Generation University" means any of the six universities established before 1975;

(i) "Second Generation University" means any of the seven universities established between 1975 and 1978; and

(j) "Third Generation University" means any of the seven universities established between 1979 and 1988.

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 ninety three million five hundred thousand Special Drawing Rights (SDR 93,500,000).

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.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars 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.

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

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

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

Section 2.06. Commitment and service charges shall be payable semiannually on May 15 and November 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 May 15 and November 15 commencing November 15, 2000, and ending May 15, 2025. Each installment to and including the installment payable on May 15, 2010, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's 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. Without limitation or restriction to the foregoing, the Borrower hereby entrusts FME with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than SDR 100,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall annually exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and services to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. In order to enable NUC and SLB to discharge their responsibilities under the Program, the Borrower shall strengthen the operations of NUC and SLB by providing adequate staff to assist their Executive Secretaries.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(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 and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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 audits 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 IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Honourable Minister
Federal Ministry of Finance and
Economic Development
PMB 12591
Federal Secretariat, Ikoyi
Lagos, Nigeria

Cable address:

Telex:

For the Association:

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

Gable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT)
248423 (RCA)
82987 (FTCC)

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.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hamzat Ahmadu

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) Books, journals, equipment, spare parts and services for the Eligible Universities	90,790,000	100% of foreign expenditures and 90% of local expenditures
(2) NUC and SLB:		
(a) Consultants' services, training and studies	1,210,000	100%
(b) Vehicles, equipment	1,000,000	100% of foreign expenditures and

	and materials		90% of local expenditures
(c)	Incremental operating costs	500,000	100%
	TOTAL	93,500,000	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means incremental travel and transport expenditures, vehicles and equipment maintenance, local training, and costs relating to communications to enable NUC and SLB to discharge their responsibilities under the Program.

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 except that withdrawals in an aggregate amount not exceeding \$4,000,000 equivalent may be made on account of payments made under Categories (1) and (2) in the table set forth in paragraph 1 of this Schedule for expenditures before that date but after January 1, 1990;

(b) expenditures for goods (other than spare parts) under Category (1) in the table set forth in paragraph 1 of this Schedule procured under contracts costing less than \$50,000 equivalent; and

(c) payments for expenditures for a university under Category (1) in the table set forth in paragraph 1 of this Schedule until such university has met the eligibility criteria specified in Schedule 4 to this Agreement.

4. (a) No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (1) in the table set forth in paragraph 1 of this Schedule after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 31,200,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by the Borrower in the carrying out of the Program; and (ii) that the actions described in Part A of Schedule 3 of this Agreement have been taken.

(b) No further withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (1) in the table set forth in paragraph 1 of this Schedule, after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 62,400,000, unless the Association shall be satisfied, after a further exchange of views as described in Section 3.01 of the Agreement based on evidence satisfactory to the Association: (i) with progress achieved by the Borrower in carrying out the Program;

and (ii) that the actions described in Part B of Schedule 3 to this Agreement have been taken.

5. If, after either of the exchange of views described in paragraph 4 (a) or 4 (b) above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

Section I. Procurement of Goods

Part A: International Competitive Bidding

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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Nigeria 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. Non-proprietary spare parts (not to exceed in the aggregate an amount equivalent to \$5,000,000) may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Proprietary spare parts may be procured by direct contracts with the original manufacturer of such spare parts or its authorized agent.

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 \$500,000 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 paragraph 2 (d) of said Appendix 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.

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 Program, the Borrower shall employ, or cause to be employed, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and 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 3

Actions Referred to in Paragraph 4 of Schedule 1 to this Agreement

Part A: Second Tranche

1. Universities: (a) with at least 50% of total undergraduate enrollments in the federal university system shall have met the first year eligibility criteria referred to in Schedule 4 to this Agreement; and (b) with at least 35% of such enrollments shall have met the second year eligibility criteria referred to in Schedule 4 to this Agreement.
2. Confirmation that FME's share of the 1991 Federal Budget shall be maintained at least at its 1989 level.
3. The lodging fee for the University campuses has been increased to at least N180 per student bed-space per session; said fee being subject to periodic reviews.

Part B: Third Tranche

1. Universities: (a) with at least 50% of total undergraduate enrollments in the federal university system shall have met the second year eligibility criteria referred to in Schedule 4 to this Agreement; and (b) with at least 35% of such enrollments shall have met the third year eligibility criteria referred to in Schedule 4 to this Agreement.
2. The accreditation exercise in all the Borrower's Federal universities shall have been completed, the accreditation status of all programs publicized and the universities informed of the time-bound remedial action they will have to take on all programs that have not met the accreditation criteria.
3. During the 1991/92 academic year all Federal Universities shall have achieved NUC's guidelines with respect to the maximum proportion of the block recurrent grants that may be spent on personnel emoluments.
4. Confirmation that FME's share of the 1992 Federal Budget is maintained at least at its 1989 level.
5. The first of the periodic reviews of the lodging fee mentioned in Part A.3 above shall have been completed.

SCHEDULE 4

Eligibility Criteria for Federal Universities referred to in Paragraph 3(c) of Schedule 1 to this Agreement

In order to draw on funds from any tranche up to a limit of \$2,500,000 for a First Generation University, \$2,330,000 for a

Second Generation University and \$1,950,000 for a Third Generation University, a university must meet the following eligibility criteria.

1. First Year Eligibility Criteria

(a) Staff Reduction

- (i) The university shall have completed a freeze on recruitment of all categories of staff, where NUC staffing guidelines are exceeded;
- (ii) the university shall have selected and named for staff reduction, one half of excess non-academic staff, according to NUC guidelines.

(b) Course Rationalization

- (i) Any department in the university that has not yet graduated any undergraduate student shall not run postgraduate programs.
- (ii) Any department in the university that has been in existence for more than ten years, but has less than 40 full time equivalent undergraduate students, is being phased out.

(c) Equipment Maintenance and Procurement

- (i) Preparation by the university of a detailed plan showing how and when out-of-order equipment will be repaired, and what general maintenance facilities will be established.
- (ii) 60% of all equipment procurement by the university from any source of funds, shall be in accordance with standard specifications and from approved manufacturers.

2. Second Year Eligibility Criteria

(a) Staff Reduction

- (i) The university shall have completed a freeze by recruitment for all categories of staff, where NUC staffing guidelines are exceeded.
- (ii) The university shall have removed from its payroll all excess non-academic staff according to NUC guidelines.

(b) Course Rationalization

- (i) A First or Second Generation University shall not normally run a postgraduate course with less than twelve students, and a Third Generation shall not normally run a postgraduate course with less than six students.
- (ii) The university shall have closed down, or obtained approval of, all non approved programs, departments or faculties.

(c) Lease of Privately-Owned Hostels

All leases on privately-owned hostels have been terminated by the university.

(d) Increasing Revenues from Non-Governmental Sources

The university has raised 7% of its total recurrent revenues from a combination of tuition fees, profits from businesses, consultancy services and revenue from endowments.

- (e) Equipment Maintenance and Procurement
 - (i) The university has implemented the plan referred to in paragraph 1 (c) (i) above to repair out-of-order equipment and establish maintenance facilities.
 - (ii) 60% of all equipment procured by the university from any sources of funds shall be in accordance with standard specifications and from approved manufacturers.

3. Third Year Eligibility Criteria

- (a) Staff Reduction
 - (i) The university shall have completed a freeze on the recruitment for all categories of staff where NUC staffing guidelines are exceeded.
 - (ii) The university shall have removed from its payroll half of its excess academic staff by discipline, according to NUC guidelines.

- (b) Course Rationalization

The university shall have phased out any department which has been in existence for more than ten years, and has less than two thirds of the normally required academic staff.

- (c) Increasing Revenues from Non-Governmental Sources

The university shall have raised 10% of its total recurrent revenues from a combination of tuition fees, profits from businesses, consultancy services, and revenue from endowments.

- (d) Sub-Degree Programs

- (i) Remedial programs in arts in the university shall have been phased out.
- (ii) Sub-degree programs that are being offered in other tertiary institutions shall have been phased out from the university except in exceptional cases.
- (iii) Tuition fees for both remedial and other sub-degree programs shall have been increased towards a direction of greater cost recovery.

- (e) Equipment Maintenance and Procurement

- (i) The university shall have implemented the plan referred to in paragraph 1 (c) (i) above to repair out-of-order equipment and establish maintenance facilities.
- (ii) 60% of all equipment procured by the university from any sources of funds shall be in accordance with standard specifications and from approved manufacturers.

- (f) Implementation of the Management Information System

The university shall have provided to NUC details of unit costs and costs per graduate by level, department and faculty, calculated according to the systems and methodologies proposed by NUC.

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Program and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1) and (2) in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$7,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

