

CONFORMED COPY

CREDIT NUMBER 2432 MLI

Development Credit Agreement

(Private Sector Assistance Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 11, 1993

CREDIT NUMBER 2432 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 11, 1993, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Association has received a letter dated October 12, 1992, modified by a letter dated November 6, 1992, from the Borrower describing a program of actions, objectives and policies designed to promote the private sector (the Program), declaring the Borrower's commitment to the execution of the Program;

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

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 and the following additional terms have the following meanings:

(a) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 10, 1990, and September 20, 1990, between the Borrower and the Association.

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

(c) "APEP" means Association de Promotion de l'Entreprise Privee, a professional association established by private business entities to promote the development of the private sector in Mali;

(d) "BEP" means Bureau des Entreprises Publiques, an agency of the Borrower responsible for supervising the Borrower's public enterprises operations;

(e) "CCIM" means Chambre de Commerce et d'Industrie du Mali of the Borrower;

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

(g) "PMU" means the Project Management Unit;

(h) "Convention" means the Agreement, dated October 12, 1992, between the Borrower and APEP, as the same may be amended from time to time, and such term includes the Manuel de Procedures of APEP and all annexes to the Convention;

(i) "DNTCP" means Direction Nationale du Tresor et de la Comptabilite Publique;

(j) "DNI" means Direction Nationale de l'Industrie; and

(k) "DNAE" means Direction Nationale des Affaires Economiques.

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 eight million two hundred thousand Special Drawing Rights (SDR 8,200,000).

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 two separate special deposit accounts (Special Account A, through APEP and Special Account B, through PMU) each in a commercial bank on terms and conditions satisfactory to

the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1999, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on 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, 2002, and ending May 15, 2032. Each installment to and including the installment payable on May 15, 2012, 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(a) shall carry out Parts A, B.1 (ii), B.2 and C of the Project with due diligence and efficiency and in conformity with appropriate administrative and commercial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project;

(b) shall carry out Parts B.1 (i) and D of the Project through APEP, in accordance with the Convention, with due diligence and efficiency and in conformity with appropriate administrative and managerial practices, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable APEP to carry out Parts B.1 (i) and D of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Parts B.1 (i) and D of the Project by APEP;

(c) 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; and

(d) the Borrower shall exercise its rights under the Convention in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Convention or any provisions thereof.

Section 3.02. The Borrower shall exercise its rights under the Convention to keep the position of Director General of APEP filled, at all times, by a person having experience and qualifications acceptable to the Borrower and the Association.

Section 3.03. 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 3.04. The Borrower shall maintain PMU throughout the implementation of the Project, with responsibilities and functions satisfactory to the Association and with staff in adequate numbers whose qualifications and professional experience shall be satisfactory to the Association.

Section 3.05. (a) The Borrower shall carry out a mid-term review with the Association by April 30, 1995, to: (i) review the progress achieved in the execution of the Project; (ii) evaluate the

performance of APEP, its procedures and management and agree on cost effectiveness measures eventually required; (iii) assess the degree of satisfaction of private firms benefiting from APEP assistance, (iv) review progress achieved in strengthening the financial sector; and (v) review the evolution of key implementation monitoring indicators referred to in Schedule 4 to this Agreement and recommend corrective measures eventually required for further implementation of the Project.

(b) In preparing for the said review, the Borrower shall, by March 31, 1995, submit to the Association a detailed report prepared by consultants acceptable to the Association assessing all facts relevant to the execution of the Project.

(c) After the conclusion of the mid-term review, the Borrower shall promptly implement all the recommendations resulting from said review as agreed upon with the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A, B and D 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 B 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 three months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

Section 4.02. (a) The Borrower shall cause APEP to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B.1 (i) and D of the Project.

(b) The Borrower shall cause APEP to:

- (i) have its records and accounts referred to in paragraph (a) above and the records and accounts for the Special Account A 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 three months after the end of each such year (A) certified copies of its financial statements for such year as so audited, and (B) 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 such records, accounts, financial statements 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 for Parts B.1 (i) and D of the Project were made on the basis of statements of expenditure, the Borrower shall cause APEP to:

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

Remedies of the Association

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

(a) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that APEP will be able to perform its obligations under the Convention;

(b) the Statutes of APEP shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of APEP to perform any of its obligations under the Convention;

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of APEP, or for the suspension of its operations;

(d) the Borrower or APEP shall have failed to perform any of their respective obligations under the Convention; and

(e) the Convention shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Project or the performance by APEP of its obligations under the Convention.

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

(a) any event specified in paragraph (d) of Section 6.01 of this Agreement shall occur and shall continue for a period of thirty (30) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (b), (c) or (e) of Section 6.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has submitted to the Association a draft training program satisfactory to the Association to be executed during the first year of the implementation of the Project; and

(b) the Borrower has established, for the purposes of the Project, an accounting system satisfactory to the Association

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Convention concluded with APEP, pursuant to Section 3.01 (b) of this Agreement, has been duly authorized or ratified by the Borrower and APEP and is legally binding upon the Borrower and APEP in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The minister responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy, Finance and
Planning
Bamako
Republic of Mali

Telex:

972559

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 MALI

By /s/ Yassoungo Kone
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Katherine Marshall
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) Civil works	265,000	100%
(2) Vehicles, equipment and furniture:		100%
(a) through APEP	55,000	

	(b) through PMU	190,000	
(3)	Consulting services under Part B.1 (i) of the Project (APEP)	2,200,000	75%
(4)	Consulting services and training:		100%
	(a) through APEP	300,000	
	(b) through PMU	2,600,000	
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5)	Operating costs:		
	(a) APEP	770,000	100%
	(b) PMU	500,000	100% before December 31, 1995, and 80% thereafter
(6)	Refunding of Project Preparation Advance	600,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	720,000	
	TOTAL	8,200,000	=====

2. For the purposes of this Schedule: (a) the term "Operating costs" means incremental expenditures incurred in respect of items such as salaries for local staff contracted for the purposes of the Project, fuel, lubricants, maintenance and repair for vehicles and equipment related to the Project, utility bills, office supplies, travel costs and subsistence allowances for travel related to the execution of the Project; and (b) the term "first three years" means the first three-year period of Project implementation starting from the Effective Date.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (i) payments made for expenditures prior to the date of this Agreement; and (ii) payments made in respect of Part B.2 (ii) of the Project unless the Association has received evidence satisfactory to it that CCIM has been restructured in a way to guarantee its independence from the Borrower's interference.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) assist the Borrower's efforts to promote and foster the development of the private sector as engine of economic growth; and (b) strengthen private local organizations aimed at providing adequate business services to private enterprises operating in the Borrower's territories.

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: Improvement of Business Institutional and Regulatory Framework

Improvement and implementation of recent reforms of the business institutional and regulatory environment including:

1. consolidation of all legal and administrative procedures for business starting up, into a single office (Guichet Unique), located in an area easily accessible to business people;
2. establishment and implementation of a new national accounting scheme for private firms accounting (Plan Comptable General); and
3. revision of Laws, regulations and procedures to promote sector development, including legislation and regulations on bankruptcy.

Part B: Institutional Support

1. Business Support to Private Enterprises:
 - (i) support to non-financial private enterprises, including auditing and consulting firms, to upgrade, inter alia, their management policies and procedures, accounting, production technology, marketing and training of staff;
 - (ii) support to commercial banks in areas of: (a) audits and institutional diagnoses; (b) staff training in project appraisal and supervision; and (c) implementation of institutional development programs.
2. Strengthening of Business Promotion and Regulations Agencies
 - (i) Strengthening capacity of BEP to: (a) prepare draft regulations on implementation modalities for privatizing public enterprises; (b) prepare terms of reference for restructuring public enterprise to be privatized; and (c) train its staff in valuing enterprises, and implementing privatization operations;
 - (ii) Strengthening of CCIM through, inter alia, the establishment of an adequate information management system; and
 - (iii) Training of DNAE and DNI staff, to strengthen their capacities to promote private sector development.

Part C: Studies

1. To explore options to deepen the financial system in the areas of (a) urban mutual savings and credit schemes, and (b) financing of housing.
2. To prepare an overall financial strategy based, inter alia, on the findings of studies under the proceeding subparagraph 1.

Part D: Dissemination of Business Information

Formulation and execution of a mass media program to disseminate information pertaining to the objectives of the Project and to acquaint the business community as to how to get access to the resources available to them under the Project.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Procedures

1. Items or groups of items for works and goods estimated to cost the equivalent of \$100,000 or more per contract 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 for goods and maintenance services estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. To the extent practicable, contracts for works and goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: 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 works and goods 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 4 to this Agreement.

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

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

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. Implementation.

(a) PMU will be responsible for: (i) the overall coordination of the implementation of the Project; and (ii) the implementation, in relation with DNAE, DNI, BEP, CCIM and DNTCP respectively, of Parts A, B.1 (ii), B.2 and C of the Project; and

(b) APEP will implement Parts B.1 (i) and D of the Project.

2. Key Implementation Monitoring Indicators.

Monitoring of the implementation of the Project will be based, inter alia, on the following indicators:

(a) Progress achieved in improving the legislative and regulatory framework of business, and timely execution of measures comprised in the Program;

(b) time-frame for adoption and implementation of a new national accounting scheme for private enterprises;

(c) time-frame for the establishment of the Guichet Unique and location of its offices in the regions;

(d) adoption and implementation of reforms in the areas of bankruptcy and privatization;

(e) progress achieved in auditing and strengthening of financial institutions;

(f) number and type of training activities undertaken; and

(g) cost effectiveness of APEP operation and management and impact of its assistance to private enterprises.

Quantitative monitoring indicators of the performance of APEP will be agreed upon between the Association and the Borrower, not later than December 31, 1992.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) for Special Account A, Categories (2)(a), (3), (4)(a) and (5)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) for Special Account B, Categories (1), (2)(b), (4)(b) and (5)(b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

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

(c) the term "Authorized Allocations" means an amount equivalent to CFA 100,000,000 in respect of Special Account A and CFA 100,000,000 in respect of Special Account B, to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocations, 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts 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 Accounts 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 Accounts 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 Accounts, 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 Accounts:

(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 respective 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 Accounts 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 Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from

the Association (A) provide such additional evidence as the Association may request, or (B) deposit into the relevant 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 relevant 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 Accounts 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 Accounts.

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

