

CONFORMED COPY

CREDIT NUMBER 2829 PAK

Development Credit Agreement

(NWFP Community Infrastructure and NHA Strengthening Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 18, 1996

CREDIT NUMBER 2829 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 18, 1996, between ISLAMIC REPUBLIC OF PAKISTAN, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower intends to obtain from the Government of the Swiss Confederation (Switzerland) acting through the Swiss Development Cooperation (SDC) a non-reimbursable contribution in an amount of three million four hundred fifty thousand dollars (\$3,450,000) (the Swiss Contribution) to assist in financing the Project on the terms and conditions set forth in an agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and Switzerland;

(C) Switzerland intends to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements, dated May 9, 1990, between Switzerland and the Association (the Procedural Arrangements);

(D) the Borrower also intends to obtain from the United Nations Children's Fund (UNICEF) a grant in an amount equivalent to two hundred fifty thousand dollars (\$250,000) (the UNICEF Grant) to assist in financing the Project on the

terms and conditions set forth in an agreement (the UNICEF Grant Agreement) to be entered into between the Borrower and UNICEF;

(E) the Project, other than Part B.2 thereof, will be carried out by the North West Frontier Province (hereinafter called NWFP) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NWFP the proceeds of the Credit and of the Swiss Contribution as provided in this Agreement; and

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

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

- (a) the last sentence of Section 3.02 is deleted; and
- (b) the second sentence of Section 5.01 is modified to read as follows:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "NWFP" means the North West Frontier Province, a political sub-division of the Borrower, or any successor thereto;
- (b) "NHA" means the National Housing Authority of the Borrower;
- (c) "LGERDD" means the Local Government, Elections and Rural Development Department of NWFP;
- (d) "Project Agreement" means the agreement between the Association and NWFP of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (e) "Swiss Contribution Account" means the Account established by Switzerland for the purposes of the Swiss Contribution;
- (f) "Borrower's Special Account" means the Borrower's

account referred to in Section 2.02 (c) of this Agreement;

(g) "NWFP Special Account" means NWFP's account referred to in Section 2.02 (c) of this Agreement;

(h) "Swiss Contribution Special Account" means NWFP's account referred to in Section 2.02 (c) of this Agreement;

(i) "Special Accounts" mean the Borrower's, NWFP and Swiss Contribution Special Accounts collectively, and "Special Account" means any such account individually;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated August 4, 1992 and October 27, 1992 between the Borrower and the Association;

(k) "PMU" means the Project Management Unit of the Provincial Urban Development Board of NWFP, reporting, for purposes of the Project, to the Secretary, LGERDD;

(l) "PIU" means a Project Implementation Unit of PMU;

(m) "PSC" means the Project Steering Committee referred to in paragraph 3 (a) of Schedule 2 to the Project Agreement;

(n) "Working Committee" means the Committee referred to in paragraph 3 (b) of Schedule 2 to the Project Agreement;

(o) "CBOs" mean the Community-Based Organizations referred to in paragraph 5 (c) (i) of Schedule 2 to the Project Agreement; and "CBO" means any such organization individually;

(p) "O&M" means operation and maintenance; and

(q) "FY" means the fiscal year of the Borrower commencing July 1 and ending June 30 of each year.

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 thirteen million seven hundred thousand Special Drawing Rights (SDR 13,700,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account, respectively, in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit and the Swiss Contribution.

(b) Except as the Association and Switzerland shall otherwise agree or to the extent the Swiss Contribution Agreement may otherwise specify, the allocation and the procedures for withdrawals of the Swiss Contribution shall be governed, mutatis mutandis, by the provisions of the General Conditions.

(c) The Borrower may, for the purposes of the Project, open and maintain and cause NWFP to open and maintain in dollars special deposit accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedules 3 and 4 to this Agreement.

(d) 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, 2001 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 charges and service charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2006 and ending January 1, 2031. Each installment to and including the installment payable on January 1, 2016 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 Unites States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Additional Chief Secretary, Planning, Environment and Development Department, NWFP is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of the activities to be carried out by NWFP under the Project.

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, (i) shall carry out Part B.2 of the Project through NHA with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and community development practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B.2 of the Project, and (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause NWFP to perform in accordance with the provisions of the Project Agreement all the obligations of NWFP therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NWFP to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit and the Swiss Contribution available to NWFP, other than portions thereof required to be retained by the Borrower for purposes of Part B.2 of the Project.

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 and the Swiss Contribution shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by NWFP pursuant to Section 2.03 of the Project Agreement.

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 Part B.2 of the Project of the departments or agencies of the Borrower responsible for carrying out Part B.2 of 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 Borrower Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

ARTICLE V

Remedies of the Association

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

(a) NWFP shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that NWFP will be able to perform its obligations under the Project Agreement.

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

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

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

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

ARTICLE VI

Effective Date; Termination

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

(a) all conditions precedent to the effectiveness of the Swiss Contribution Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) the PMU and the PIUs have been strengthened pursuant to the provisions of paragraphs 1 and 2 of Schedule 2 to the Project Agreement; and

(c) the consultants required for the purposes of Part A of the Project have been appointed subject to the provisions of Section II of Schedule 1 to the Project Agreement.

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 Project Agreement has been duly authorized or ratified by NWFP, and is legally binding upon NWFP in accordance with its terms.

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

Section 6.04. The provisions of paragraph (a) of Section

5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

Section 6.05. In the event that Switzerland or the Association terminates the functions of the Association pursuant to paragraph 9 of the Procedural Arrangements, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement in respect of the Swiss Contribution.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division 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:

The Secretary to the Government of Pakistan
Economic Affairs Division
Islamabad, Pakistan

Cable address:

ECONOMIC
Islamabad

Telex:

ECDIV-05-634

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Mansoor Elahi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mieko Nishimizu

Acting Regional Vice President
South Asia

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 and the Swiss Contribution, the allocation of the amounts of the Credit and the Swiss Contribution 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)	Amount of the Swiss Contribution Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works		9,340,000	70%
(2) Vehicles and equipment for:			100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) Part B.2 of the Project		70,000	
(b) All other Parts of the Project	320,000		
(3) On-plot sanitation grants under Part A.2 of the Project	520,000		100% of amounts disbursed
(4) Consultants' services, other services and training for:			100%
(a) Part B.2 of the Project	380,000	450,000	
(b) All other Parts of the Project	450,000	3,000,000	
(5) Incremental staff costs	510,000		60% in FY95, through FY97, 55% in FY98 and FY99 and 40% thereafter
(6) Refunding of Project Preparation Advance	830,000		Amount due pursuant to Section 2.02 (d) of this Agreement
(7) Unallocated	1,280,000		

TOTAL	13,700,000	3,450,000
	=====	=====

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 staff costs" means the costs of staff of the PMU and PIUs appointed to posts created on or after March 1, 1994 exclusively for purposes of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 570,000, may be made on account of payments made for expenditures before that date but after October 15, 1994; and

(b) under Categories (4) (a) and (4) (b) from the proceeds of the Credit, unless and until the proceeds of the Swiss Contribution allocated to such Categories have been fully disbursed.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts not exceeding \$150,000 equivalent, and for consultants' and other services under contracts not exceeding \$100,000 in the case of consulting firms or \$50,000 in the case of individual consultants, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the productivity and living conditions of low income groups in NWFP through the provision of basic infrastructure and community development.

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: NWFP Community Infrastructure Upgrading

1. Upgrading of basic infrastructure in about 55 urban and rural communities, including, inter alia, provision of water supply, stormwater drainage, flood protection, streets and footpaths, sanitation and solid waste management.

2. Provision of incentive grants towards the cost of on-plot sanitation facilities.

3. Carrying out of community development, provision of health and hygiene education, and, wherever requested by the community, improvement of land registration facilities and documentation.

4. Provision of design and implementation assistance, including the establishment or strengthening and operation of Project

Implementation Units (PIUs), the provision of consultants' services and training of staff and communities.

Part B: Institutional Development and Project Preparation

1. Provision of technical assistance to NWFP for the carrying out of a study for strengthening LGERDD, institutionalizing the PMU's infrastructure functions within LGERDD and strengthening local councils.

2. Provision of technical assistance to the Borrower for strengthening NHA, including assistance in data analysis and sector monitoring; program monitoring, evaluation and dissemination; building technology evaluation and dissemination; policy development; and information exchange.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Credit Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in respect of the Borrower's Special Account, Categories (2) (a) and (4) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and, in respect of the NWFP Special Account, all others of Categories (1) through (5) 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: (i) in respect of the Borrower, an amount equivalent to \$40,000 to be withdrawn from the Credit Account and deposited into the Borrower's Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$15,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of the relevant eligible Categories shall be equal to or exceed the equivalent of SDR 250,000; and (ii) in respect of NWFP, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the NWFP Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$400,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of the relevant eligible Categories shall be equal to or exceed the equivalent of SDR 6,000,000.

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 a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower or NWFP, as the case may be, shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts 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 or NWFP, as the case may be, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower or NWFP, as the case may be, shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower or NWFP, as the case may be, 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 or NWFP, as the case may be, 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 or NWFP, as the case may be, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower or NWFP, as the case may be, 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 or NWFP, as the case may be, out of a Special Account, the Borrower or NWFP, as the case may be, 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower or NWFP, as the case may be, 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;

(b) if the Borrower or NWFP, as the case may be, shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower or NWFP, as the case may be, of its intention to suspend in whole or in part the right of the Borrower or NWFP, as the case may be, to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the relevant eligible Categories, less the amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to such eligible Categories, shall equal the equivalent of twice the amount of the relevant Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the relevant eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower or NWFP, as the case may be. 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 a 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 a Special Account: (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 or NWFP, as the case may be, 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 or NWFP, as the case may be, 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 a Special Account will not be required to cover further payments for the relevant eligible expenditures, the Borrower or NWFP, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower or NWFP, as the case may be, may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a 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.

SCHEDULE 4

Swiss Contribution Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (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 Swiss Contribution allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Swiss Contribution 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, NWFP shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts 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 NWFP, withdraw from the Swiss Contribution Account and deposit into the Special Account such amount or amounts as NWFP shall have requested.

(b) (i) For replenishment of the Special Account, NWFP 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, NWFP 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 NWFP, withdraw from the Swiss Contribution Account and deposit into the Special Account such amount as NWFP 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 Swiss Contribution Account under the respective eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by NWFP out of the Special Account, NWFP 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 NWFP directly from the Swiss Contribution Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if NWFP shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified NWFP of its intention to suspend in whole or in part the right of NWFP to make withdrawals from the Swiss Contribution Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Swiss Contribution allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to such eligible Category, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Swiss Contribution Account of the remaining unwithdrawn amount of the Swiss Contribution allocated to the eligible Category shall follow such procedures as the Association shall specify by notice to NWFP. 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; or (ii) was not justified by the evidence furnished to the Association, NWFP 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 NWFP 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, NWFP shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) NWFP 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 Swiss Contribution Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

