

CONFORMED COPY

CREDIT NUMBER 1883 CE

(Emergency Reconstruction and Rehabilitation Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 20, 1988

CREDIT NUMBER 1883 CE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 10, 1988, between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower has recognized the need for international support for its efforts to implement a comprehensive program for the reconstruction and rehabilitation of the economic sectors affected by the recent strife (the Program);

WHEREAS the United Nations Development Program, the United Nations High Commissioner for Refugees, and other multilateral and bilateral organizations have undertaken to provide assistance to aforesaid reconstruction and rehabilitation 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 as part of aforementioned reconstruction and rehabilitation program; 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) "Rs" means Rupees, the currency of the Borrower;
- (b) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated September 30, 1987 and November 12, 1987 between the Borrower and the Association;
- (d) "Act" means the Rehabilitation of Persons, Properties and Industries Authority Act, No. 29 of 1987;
- (e) "REPPIA" means the Rehabilitation of Persons, Properties and Industries Authority established under the Act; and
- (f) "NGOs" means non-governmental organizations selected by the Borrower and the Association to participate in the Project.

#### 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 fifty-five million Special Drawing Rights (SDR 55,000,000).

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 dollars a special account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(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, 1991 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing May 1, 1998 and ending November 1, 2027. Each installment to and including the installment payable on November 1, 2007 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this

Agreement, and, to this end, shall carry out or cause to be carried out the Project with due diligence and efficiency and in conformity with appropriate technical, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. In order to carry out Part A of the Project, the Borrower shall make available such amounts as shall be withdrawn from the Credit Account under Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under memoranda of understanding and on terms and conditions satisfactory to the Association including those referred to in paragraph 1 of Schedule 4 to this Agreement.

Section 3.04. In order to carry out Part B of the Project, the Borrower shall make available such amounts as shall be withdrawn from the Credit Account under Category (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under subsidiary loan agreements and memoranda of understanding, and on terms and conditions satisfactory to the Association including those referred to in paragraph 2 of Schedule 4 to this Agreement.

Section 3.05. In order to carry out Part C of the Project, the Borrower shall make available an amount equivalent to SDR 3,500,000 as shall be withdrawn from the Credit Account under memoranda of understanding and on terms and conditions satisfactory to the Association including those referred to in paragraph 3 of Schedule 4 to this 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 the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time

reasonably request.

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

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

#### ARTICLE V

##### Remedies of the Association

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

(a) The Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of REPPIA or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, that the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Secretary, Ministry of Finance and Planning 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 Finance and Planning  
Democratic Socialist Republic of  
Sri Lanka  
Colombo, Sri Lanka

Cable address:

SECMINFIN  
Colombo

Telex:

FINMIN 21409  
FORAID 21232

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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

DEMOCRATIC SOCIALIST REPUBLIC OF  
SRI LANKA

By /s/ Susantha de Alwis  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Karaosmanoglu  
Regional Vice President  
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, 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) Works	15,450,000	85% of expenditures incurred before December 31, 1989, 50% of expenditures incurred thereafter but before Decem-

ber 31, 1990,  
and 15% of  
expenditures  
incurred there-  
after

(2) Goods	14,050,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 65% of local expenditures for other items pro- cured locally
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Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Loans under Part A of the Project:	12,550,000	65% of amounts disbursed
(a) through the State Mortgage and Investment Bank		
(b) through the Housing Development Finance Corporation		
(c) through the Bank of Ceylon		
(d) through the National Housing Development Authority		
(e) through other institutions		
(4) Loans under Part B of the Project:	5,180,000	65% of amounts disbursed
(a) through the Bank of Ceylon		
(b) through the National Development Bank of Sri Lanka		

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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	(c) through other institutions		
	(d) through NGOs		
(5)	Consultants' services and training	1,840,000	100%
(6)	Refunding of Project Preparation Advance	530,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	5,400,000	
	TOTAL	55,000,000	

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; and

(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.

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 the equivalent of SDR 5,500,000, may be made on account of payments made under Categories (1), (2) and (5) for expenditures before that date but after November 15, 1987;

(b) expenditures by the military forces for the diffusing of explosives;

(c) expenditures under the Categories specified below until the Association has notified the Borrower that the Association is satisfied with the memoranda of understanding:

- (i) in respect of Category (3) (a), between the Borrower and the State Mortgage and Investment Bank;
- (ii) in respect of Category (3) (b), between the Borrower and the Housing Development Finance Corporation;
- (iii) in respect of Category (3) (c), between the Borrower and the Bank of Ceylon;
- (iv) in respect of Category (3) (d), between the Borrower and the National Housing Development Authority;
- (v) in respect of Category (3) (e), between the Borrower and other institutions;
- (vi) in respect of Category (4) (a), between the Borrower and the Bank of Ceylon;
- (vii) in respect of Category (4) (c), between the Borrower and other institutions; and



(viii) in respect of Category (4) (d) between the Borrower and the NGOs.

(d) expenditures in respect of Category (4) (b) until the Association has notified the Borrower that the Association is satisfied with the subsidiary loan agreement between the Borrower and the National Development Bank of Sri Lanka.

(e) expenditures under Part C of the Project until the Association has notified the Borrower that the Association is satisfied with the memoranda of understanding between the Borrower and the Sri Lanka Cement Corporation, and between the Borrower and Lanka Cement Limited.

## SCHEDULE 2

### Description of the Project

The objectives of the Project, as part of the Program, are to reconstruct and rehabilitate affected assets and properties, to revive economic activities, and to restore the delivery of services in areas affected by the strife. The Project is directed mainly at areas most affected by the strife, such as the Northern and Eastern Provinces.

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: Shelter

Provision of loans for reconstruction of the housing sector.

Part B: Facilities

Provision of loans to rebuild the industrial, manufacturing and other sectors.

Part C: Plants

Rehabilitation of two cement plants in Jaffna.

Part D: Infrastructure

- (1) Repairs in the roads sector.
- (2) Rehabilitation of city infrastructure and buildings, and restart of civic services.
- (3) Provision of vehicles and equipment, including construction equipment.

Part E: Site Preparation

- (1) Clearance of debris and rubble.
- (2) Reinstatement of property boundaries.
- (3) Other site preparation activities.

Part F: Telecommunications

Repair and installation of telecommunications facilities.

Part G: Technical Assistance

Provision of consultants' services and training.

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The Project is expected to be completed by December 31, 1990.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works under Parts A and B of the Project

Goods and works shall be procured in accordance with the procurement procedures of the Borrower satisfactory to the Association.

##### Section II. Procurement of Goods and Works for the remainder of the Project

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works 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 Sri Lanka 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

###### Part D: Other Procurement Procedures

1. Contracts for civil works estimated to cost less than the equivalent of \$3,000,000 each, and up to an aggregate amount not exceeding the equivalent of \$21,000,000, may be awarded in accordance with competitive bidding procedures satisfactory to the Association.

2. Rubble clearance, road patching and other minor works estimated to cost in the aggregate less than the equivalent of \$1,000,000 may be carried out under force account.

3. Contracts for goods estimated to cost less than the equivalent of \$200,000 each, up to an aggregate amount not exceeding the equivalent of \$5,000,000, may be awarded in accordance with competitive bidding procedures satisfactory to the Association.

4. Miscellaneous items grouped in packages estimated to cost less than the equivalent of \$25,000, and up to an aggregate amount not exceeding the equivalent of \$4,000,000, may be procured on the basis of comparison of quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

5. Contracts for goods under Part F of the Project, and up to an aggregate amount of not exceeding the equivalent of \$6,000,000, may be 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 provisions set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

6. Proprietary items under Part F of the Project, and up to an aggregate amount not exceeding the equivalent of \$7,000,000, may be procured in accordance with direct contracting procedures satisfactory to the Association.

#### Part E: Review by the Association of Procurement Decisions

Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for works estimated to cost the equivalent of \$500,000 or more, and each contract for goods estimated to cost the equivalent of \$300,000 or more the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

#### Section III. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ or cause to be employed 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. Loans under Part A of the Project shall be extended under memoranda of understanding satisfactory to the Association:

(a) between the Borrower and the State Mortgage Investment Bank to beneficiaries in affected areas;

(b) between the Borrower and the Housing Development and Finance Corporation to beneficiaries in affected areas;

(c) between the Borrower and the Bank of Ceylon to beneficiaries in affected areas;

(d) between the Borrower and the National Housing Development Authority to beneficiaries in affected and other areas; and

(e) between the Borrower and such other institutions as shall be agreed by the Borrower and the Association to beneficiaries in affected areas.

2. Loans under Part B of the Project shall be extended under:

(a) a subsidiary loan agreement satisfactory to the Association between the Borrower and the National Development Bank of Sri Lanka to beneficiaries in affected areas; and

(b) memoranda of understanding satisfactory to the Association:

(i) between the Borrower and the Bank of Ceylon to beneficiaries in affected areas;

(ii) between the Borrower and NGOs to beneficiaries in affected areas; and

(iii) between the Borrower and such other institutions as shall be agreed by the Borrower and the Association to beneficiaries in affected areas.

3. (a) Part of the proceeds of the Credit to be made available in order to assist in carrying out Part C of the Project, shall be extended under memoranda of understanding satisfactory to the Association, between the Borrower and the Sri Lanka Cement Corporation, and between the Borrower and Lanka Cement Limited.

(b) Rehabilitation of the cement plants under Part C of the Project shall be carried out in accordance with a plan of action satisfactory to the Association.

4. Site preparation, repair and rehabilitation of infrastructure and telecommunications facilities, and technical assistance under Parts E, D, F and G of the Project, respectively, shall be carried out or provided, mainly for the affected areas, in accordance with design standards, programs and terms of reference satisfactory to the Association.

5. The Borrower shall establish and maintain with composition, staff, resources and responsibilities satisfactory to the Association:

(a) a National Reconstruction Steering Committee; and

(b) District Reconstruction Coordinating Committees for affected districts.

6. Specific steps in Project implementation shall be carried out in accordance with an operational action plan satisfactory to the Borrower and the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (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 accord-

ance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 4,400,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

