

CONFORMED COPY

CREDIT NUMBER 2460 KE

Development Credit Agreement  
(Emergency Drought Recovery Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 1, 1993

CREDIT NUMBER 2460 KE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 1, 1993, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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) "ASAL area" means arid and semi-arid lands within the territory of the Borrower;

(b) "payment mechanism" means the payment mechanism introduced by the Borrower for purposes of the Project in order to ensure prompt and effective utilization of funds from the Special Account to meet expenditures for goods and services to be financed out the proceeds of the Credit;

(c) "PMU" means the Project Management Unit referred to in paragraph 1 of Schedule 4 to this Agreement;

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

(e) "MoLRRWD" means the Borrower's Ministry of Land Reclamation, Regional and Water Development.

## 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 fourteen million six hundred thousand Special Drawing Rights (SDR 14,600,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 deposit account 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, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 1995, 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2003, and ending February 15, 2033. Each installment to and including the installment payable on February 15, 2013, 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 the Project with due diligence and efficiency, in conformity with appropriate administrative and financial practices, and with due regard to ecological and environmental factors, 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, and the implementation plan agreed upon with the

Association.

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

Section 3.03. (a) The Borrower and the Association shall, not later than January 31, 1994, undertake a joint mid-term review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its obligations under this Agreement and, in particular, (i) performance by the Borrower of its program of distribution of agricultural inputs for the 1993 planting season, including details of quantities delivered by district and impact on the district's agricultural production, (ii) details of the performance and impact of the animal health vaccination program, (iii) progress under Part C of the Project (Drought Management and Environment), (iv) progress under Part D of the Project (Infrastructure), including details of performance under rehabilitation contracts, the status of procurement of spares and other equipment, provisions for future maintenance of roads rehabilitated under the Project, and the status of execution of studies, (v) progress under Parts E (Water Management) and F (Health Services), and under the related action plans agreed upon with the Association, and proposals for modifications to such action plans, (vi) the central and district level organizational structure for Project implementation, (vii) payments and commitments under the Project, and the operation and effectiveness of the payment mechanism, (viii) the status of the recovery process in the ASAL area districts, and (ix) proposed modifications, if any, in the design of the Project, or in the allocation of funds amongst the various components or sub-components of the Project.

(b) Not later than one month prior to such mid-term review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the specific issues to be considered at such review and referred to in paragraph (a) of this Section.

(c) Following such mid-term review, the Borrower undertakes to act promptly and diligently, in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

#### 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 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 payment out of the Special 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

##### Effective Date; Termination

Section 5.01. 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 satisfactorily completed full implementation of its seed distribution program for the 1993 planting season; and

(b) for the purposes of the PMU secretariat, a Project Coordinator, a technical advisor, a financial officer and a procurement officer, each of whom shall have qualifications and experience acceptable to the Association, have been duly recruited and have assumed duty.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance  
P.O. Box 30007  
Nairobi  
Kenya

Cable address:

FINANCE  
Nairobi

Telex:

2282 MINFIN  
Nairobi

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:

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 KENYA

By /s/ Denis D. Afande  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francis X. Colaco  
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
Part A of the Project		
(1) Agricultural inputs and distribution	510,000	100%
Part C of the Project		

(2)	Civil works	510,000	100%
(3)	Vehicles and equipment	440,000	100%
(4)	Consultants' services and training	295,000	100%

Part D of the Project

(5)	Civil works	4,765,000	100%
(6)	Vehicles and spare parts	330,000	100%
(7)	Consultants' services	365,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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Part E of the Project

(8)	Civil works	1,530,000	100%
(9)	Equipment and spare parts	1,455,000	100%
(10)	Consultants' services and training	255,000	100%
(11)	Vehicles	220,000	100%

Part F of the Project

(12)	Civil works	400,000	100%
(13)	Vehicles and equipment	550,000	100%
(14)	Drugs and medical supplies	295,000	100%
(15)	Training	110,000	100%

Miscellaneous

(16)	Operating costs	1,530,000	100%
(17)	Consultants' services (PMU)	190,000	100%
(18)	Unallocated	850,000	

TOTAL	14,600,000	=====
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2. For the purposes of this Schedule:

(a) the term "agricultural inputs and distribution" means agricultural tools, seeds and fertilizer, and the transport costs involved in the distribution thereof;

(b) the term "training" means seminars, courses and other training activities, as approved by the Association; and

(c) the term "operating costs" means the incremental operating costs incurred under the Project on account of contract staff salaries, office supplies, rent and utilities, vehicle

maintenance and operation, air charter, and other travel and transport costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made in respect of Category (1) on account of payments made for expenditures before that date but after December 1, 1992.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) alleviate the impact of the current drought in the ASAL area through (a) the regeneration of productive capacity in agriculture and livestock production, and (b) improved water supply, health services and access to and within the ASAL area; and (ii) assist in enhancing future institutional capacity at the district level to deal with drought.

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: Agriculture

Acquisition and distribution of seed, fertilizer and hand tools for families in the ASAL area.

#### Part B: Livestock

Carrying out vaccination and animal treatment programs in the districts of Mandera, Marsabit, Turkana, Wajir, Garissa, Tana River, Isiolo, Samburu, Baringo and Laikipia, including the acquisition of vaccines, trypanocidal and clinical drugs, and vaccination equipment and supplies.

#### Part C: Drought Management and Environment

1. Establishment of a district-level drought management system in the districts of Mandera, Marsabit, Turkana and Tana River, including data collection and analysis, training of staff and rehabilitation of district buildings.

2. Implementation of a test program for water point protection covering about 36 water points, including testing of alternative protection approaches.

3. Implementation of a program to establish grass seed bulking plots in poor rangeland areas, including over-sowing of grass.

4. Construction of about seven mini-spate diversions for collection and spreading of water to promote increased availability of livestock fodder.

5. Revegetation and woodlands support activities, including development of three water points per district and establishment of fenced areas for revegetation and woodlands development.

6. Increasing environment management education through seminars to create community awareness for the environment and training of district officers in rapid rural appraisal techniques.

7. Support at divisional level to enhance the field mobility range of extension officers, increase extension capability and monitoring, and ensure better coordination by district coordinators in the delivery of extension messages.

#### Part D: Infrastructure



1. Rehabilitation of about 421 kilometers of earth and gravel roads in the districts of Mandera, Wajir, Marsabit and Turkana.
2. Improving maintenance capacity at the district level through the rehabilitation of selected unserviceable equipment, and the purchase of spare parts and camping equipment.
3. Carrying out the following studies to evaluate additional infrastructure requirements of the ASAL area districts: (a) tele-communication improvements; (b) infrastructure requirements, such as storage facilities, schools, dispensaries, hospitals, airstrips and market places; and (c) evaluation of road rehabilitation needs.

Part E: Water Management

1. Rehabilitation of existing water facilities and development of new water supplies in the districts of Mandera, Marsabit, Turkana and Tana River, including the construction and upgrading of traditional shallow wells, roof and rock catchment systems.
2. Improving management of water sources in the districts of Mandera, Marsabit, Turkana and Tana River through the training of community groups in operation and maintenance.
3. Strengthening the operational capacity of MoLRRWD through the purchase and rehabilitation of vehicles, plant and equipment for the districts of Mandera, Marsabit, Turkana, Tana River, Garissa, Isiolo, Samburu and Wajir.

Part F: Health Services

1. Strengthening the operational capacity of the Borrower's health services in the districts of Mandera, Marsabit, Turkana and Tana River, through: (a) the rehabilitation of buildings, equipment and vehicles; (b) the acquisition of equipment, vehicles, drugs and medical supplies, and vector control and non pharmaceutical supplies; (c) staff training; and (d) monitoring of project impact.
2. Improving access to and quality of health services through training of community groups.

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The Project is expected to be completed by March 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.
2. To the extent practicable, contracts shall be grouped into bid packages.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 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 C: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1, goods manufactured in Kenya 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 D: Other Procurement Procedures

1. Items or groups of items for (a) civil works estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,350,000, and (b) equipment and materials under Parts A and F of the Project, estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$850,000, 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 (a) rehabilitation works under Part E of the Project, estimated to cost the equivalent of \$40,000 or less per contract, up to an aggregate amount equivalent to \$1,650,000, and (b) goods estimated to cost the equivalent of \$40,000 or less per contract, up to an aggregate amount equivalent to \$150,000, 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. Spare parts of a proprietary nature, up to an aggregate amount equivalent to \$100,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding 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.

Part F: Pre-shipment Inspection

For the purposes of the pre-shipment inspection of goods imported under the Project, no price verification shall be conducted in respect of those goods to which Part A of this Section applies.

Section II. Employment of Consultants

1. 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Bank, and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall: (a) maintain and operate a Project Management Unit, whose role, functions and composition shall be acceptable to the Association, to be primarily responsible for supervision of implementation of the Project; (b) ensure that all key positions within the PMU secretariat (including that of Project Coordinator) shall be filled at all times by persons whose qualifications and experience shall have been determined by the Association to be both acceptable and appropriate; and (c) establish and operate district steering groups, whose terms of reference shall be acceptable to the Association, to be responsible for implementation at the district level.

2. For purposes of carrying out the Project, the PMU shall, not later than May 31 of each year, submit to the Association a proposed training program, giving details of proposed training activities under the Project for the forthcoming twelve-months' period, and, subject to the approval of the Association, shall proceed thereafter to implement such program.

3. Not later than three months after the Effective Date, the Borrower shall, in conjunction with the Association, review the operation and effectiveness of the payment mechanism and, if need be, introduce and implement such modifications of the payment mechanism, or of the applicable administrative rules and procedures, as may have been agreed upon with the Association in accordance with the results of such review.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (17) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any

outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; 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 Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to 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.

