

CONFORMED COPY

CREDIT NUMBER 2120 SLU

(Water Supply Project)

between

ST. LUCIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 1990

CREDIT NUMBER 2120 SLU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 24, 1990, between ST. LUCIA (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 has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to two million five hundred thousand dollars (\$2,500,000) (the Loan);

(C) the Borrower and the Association intend, to the extent

practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made;

(D) the Project will be carried out by the Water and Sewerage Authority with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Water and Sewerage Authority the proceeds of the Credit as provided in this Agreement and the proceeds of the Loan as provided in the Loan Agreement;

(E) the Borrower intends to contract from the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount equivalent to \$19,300,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA;

(F) the Borrower intends to contract from the Caribbean Development Bank (CDB) a loan (the CDB Loan) in an amount equivalent to \$7,300,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the CDB Loan Agreement) to be entered into between the Borrower and CDB;

(G) the Borrower intends to contract from the OPEC Fund (OPEC) a loan (the OPEC Loan) in an amount equivalent to \$2,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the OPEC Loan Agreement) to be entered into between the Borrower and OPEC; 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 among the Association, the Bank and the Water and Sewerage Authority;

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) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

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

(c) "Project Agreement" means the agreement among the Association, the Bank and WASA (as hereinafter defined) 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;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and WASA (as hereinafter defined) pursuant to Section 3.01 (c) of this Agreement, as the same may be

amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(e) "WASA" means the Water and Sewerage Authority, a body corporate established and operating under the Borrower's Water and Sewerage Authority Act, 1984;

(f) "PMU" means WASA's Project Management Unit referred to in Section 3.07 of the Project Agreement;

(g) "Fiscal Year" means January 1 through December 31; and

(h) "Environmental and Resettlement Plan" means the plan of action to carry out Part A.6 of the Project, including the guidelines for directing the process of mobilization, resettlement, rehabilitation, compensation, and environmental protection, and a detailed schedule for implementation, furnished to the Association on February 21, 1990.

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 four million Special Drawing Rights (SDR 4,000,000).

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 deposit account in the National Commercial Bank in St. Lucia 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 3 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1996, 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 per cent (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 1 and August 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 February 1 and August 1 commencing August 1, 2000 and ending February 1, 2025. Each installment to and including the installment payable on February 1, 2010 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

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

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

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

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 Part A.6 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, public utility and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause WASA to perform in accordance with the provisions of the Project Agreement all the obligations of WASA 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 WASA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend the proceeds of the Credit to WASA under a subsidiary loan agreement to be entered into between the Borrower and WASA, under terms and conditions which shall have

been approved by the Association which shall include a term of 17 years (including 4 years grace), an interest rate of 8% per annum, and denomination of proceeds in East Caribbean Dollars.

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

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 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) in respect of Part A.6 of the Project shall be carried out by the Borrower, and in respect of the remaining Parts of the Project by WASA pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain separate records and accounts adequate to reflect, in accordance with sound accounting practices, all resources and expenditures in respect of Part A.6 of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section (including 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 seven months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;
- (ii) retain, or cause to be retained, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank'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 (beginning with the audit covering Fiscal Year 1990) contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied on to support the related withdrawals.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall:

(a) Establish or cause to be established, by December 31, 1991, a mechanism for setting WASA's water and sewerage tariffs at levels which will enable WASA to finance its operations, meet its debt service obligations, cover cash needs to fund investments, and obtain a reasonable rate of return on investments.

(b) Assist WASA with the acquisition of land or rights of way required for the Project.

(c) Allow the importation of labor of any type by civil works construction contractors, in accordance with the Borrower's laws and regulations, for the purpose of implementing the Project.

(d) Beginning one month after the opening of dam construction bids, and every twelve months after such beginning date, prepare and furnish to the Association for approval a detailed investment and financing plan for carrying out the Project during the following twelve months.

Section 5.02. The Borrower shall, in accordance with the Environmental and Resettlement Plan satisfactory to the Association, and revisable from time to time as required subject to Association approval:

(a) Carry out relocation of families as required for the Project;

(b) Carry out reforestation of certain land as required for the Project; and

(c) Carry out health and environmental measures required in conjunction with the Project to control and eradicate schistosomiasis (bilharzia) and protect wildlife.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

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

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

(c) The Water and Sewerage Authority Act, 1984 of the Borrower shall have been amended, suspended, abrogated, repealed or

wavied so as to affect materially and adversely the ability of WASA to perform any of its obligations under the Project Agreement.

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

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the CIDA Grant or any of the CDB Loan or the OPEC Loan 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 CIDA Grant Agreement, the CDB Loan Agreement or the OPEC Loan Agreement, respectively; or

(B) any such Grant or Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreements; 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.

(f) The Borrower shall have failed to make payment of principal, interest, service charge or any other amount due to CDB, or to the Association as assignee thereof, under a loan or credit from CDB the proceeds of which were originally given to CDB by the Association or the Bank.

Section 6.02. 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 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (c), (d) and (f) of Section 6.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and WASA;

(b) that all conditions precedent to the withdrawal of the proceeds of the CIDA Grant, the CDB Loan and OPEC Loan have been fulfilled; and

(c) that all conditions precedent to the effectiveness of

the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 7.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by WASA, and is legally binding upon WASA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and WASA and is legally binding upon the Borrower and WASA in accordance with its terms.

Section 7.03. The date July 24, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.04. The obligations of the Borrower under Articles III, IV and V of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date seventeen (17) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of Planning, Personnel, Establishment and Training of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning, Personnel,
Establishment and Training
Government of St. Lucia
New Government Building
Castries, St. Lucia

Telecopy:

809-4522506

Telex:

6243LC PMSLU

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.

ST. LUCIA

By /s/ John Compton

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shahid Hussain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit
and of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit and of the Loan 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 Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(1) Civil works under Parts A.2, A.3 and A.5 of the Project	1,200,000	500,000	60%
(2) Material and equipment under Parts A.2, A.3, A.5 and B of the Project	1,800,000	800,000	100% of foreign expenditures (CIF), and 60% of local expenditures (if procured locally)
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- itures to be Financed
(3) Consultants' services and training programs	1,000,000	1,000,000	100%
(4) Amounts due for interest on Loan until date, confirmed by	0	200,000	100%

the Association, of completion of physical facilities, or until January 31, 1996, whichever is earlier

TOTAL	4,000,000	2,500,000
	=====	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; 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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

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 0.16 million, may be made on account of payments made for expenditures before that date but after August 1, 1989; and (b) subsequent to a plan, specified in Section 5.01 (d) of this Agreement, in respect of payments made for expenditures for any goods, works, or services to be financed from the proceeds of the Credit unless such goods, works, or services are included in such plan approved by the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote the reliability, quantity and quality of water supply in Castries and the Northwest region of St. Lucia, and to strengthen the institutional and financial performance of WASA.

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: Roseau Dam Water Supply Scheme

1. Construction of a concrete-faced rockfill dam and reservoir in the upper reaches of the Roseau river.
2. Construction of a raw water pumping station at the foot of the Roseau dam.
3. Construction of a water treatment plant at Ciceron.
4. Construction of raw water and treated water conveyance systems.
5. Carrying out of infrastructure works associated with the dam construction, including:
 - (a) construction of an access road to the dam site;

- (b) upgrading of an existing road at Millet; and
- (c) provision of power transmission to the dam site.

6. Carrying out of environmental and resettlement programs, including control of schistosomiasis, family relocation, and reforestation of the affected areas associated with the dam construction.

Part B: Equipment Purchase for WASA

Acquisition and utilization of equipment for WASA such as computer hardware and software for WASA financial management purposes, leak detection equipment, water meters, communication and telemetry equipment, vehicles for reservoir inspection, and miscellaneous workshop tools.

Part C: Technical Assistance and Training for WASA

- 1. Implementation of improved financial management information systems for WASA.
- 2. Undertaking a revaluation of WASA's fixed assets.
- 3. Undertaking a study to evaluate and modify WASA's sewerage tariffs, connection fees, and other charges.
- 4. Improving WASA's engineering, operation, and maintenance activities through suitable cooperative programs with another water and sewerage utility.
- 5. Implementing training programs for WASA personnel through internal courses, seminars, and fellowships.

Part D: Project Management and Administration

Establishment and maintenance of the PMU.

* * * *

The Project is expected to be completed by September 30, 1995.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means all Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement, except for Category (4);

(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 \$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 in 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, shall equal the equivalent of \$1,000,000, 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; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount

equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

