

CONFORMED COPY

CREDIT NUMBER 2550 KH

(Emergency Rehabilitation Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 5, 1993

CREDIT NUMBER 2550 KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 5, 1993, between KINGDOM OF CAMBODIA (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;

WHEREAS: (B) The Borrower intends to request from the Swedish International Development Authority ("SIDA") to make available grant funds (the "SIDA Grant"), in an amount equivalent to two million three hundred thousand dollars (\$2,300,000) and to be administered by the International Bank for Reconstruction and Development ("IBRD"), to assist in financing Part H of the Project, all on the terms and conditions set forth in an agreement to be entered into between IBRD and SIDA; and

WHEREAS: (C) 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) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(b) "NCRD" means the Borrower's National Committee for Rehabilitation and Development, established pursuant to the Borrower's Decision No. 8 S.S.R, dated July 24, 1993, which Committee is charged with, inter alia, the general oversight and overall supervision and coordination of the Project pursuant to the provisions of Section 3.02 (a) of this Agreement;

(c) "MOF" means the Borrower's Ministry of Finance or any successor thereto;

(d) "PIU" means the Project Implementation Unit established by the Borrower within the MOF, pursuant to the decision of the MOF No. 003 Dec/MOF/93, dated September 28, 1993, which Unit is referred to in Sections 3.02 (b) and (c) of this Agreement; and

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

## 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 forty-five million two hundred thousand Special Drawing Rights (SDR 45,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement, and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Cambodia 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 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 (60) 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 semi-annually on April 15 and October 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 April 15 and October 15 commencing April 15, 2004 and ending October 15, 2033. Each installment to and including the installment payable on October 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 seven hundred and ninety dollars (\$790) in constant 1985 dollars for five (5) 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 through the MOF with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical and environmental 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 Association shall otherwise agree, the Borrower shall, for the purposes of the rehabilitation of its economy, cause to be implemented with due diligence and efficiency a public budget for Fiscal Year 1994, which budget shall include an economic program of public revenue generation and expenditure control satisfactory to the Association.

Section 3.02. (a) The Borrower shall take all necessary action to ensure that, until the completion of the Project, the NCRD shall be responsible for the general

oversight and overall supervision and coordination of the Project.

(b) The Borrower shall, until the completion of the Project, maintain, or cause to be maintained, the PIU in a form and with such composition and functions as shall be satisfactory to the Association, and the Borrower shall ensure that the PIU is at all times staffed with qualified staff in adequate numbers and disposing of all necessary resources.

(c) The PIU shall be responsible for: (i) the day-to-day implementation of the Project, including, inter alia, the procurement of goods and services required therefor; and (ii) informing the NCRD, on a regular basis, until the completion of the Project, of the progress achieved by the Borrower in carrying out the Project.

Section 3.03. The Borrower shall: (a) not later than June 30, 1994 and in every Fiscal Year thereafter, and at such other times as the Association may request, review with the Association the progress achieved by the Borrower in implementing the Project, including the carrying out of its public budget for Fiscal Year 1994 referred to in Section 3.01 (b) of this Agreement.

(b) If the results of any of said reviews are not satisfactory to the Association, the Borrower shall promptly take all such remedial action, satisfactory to the Association, as shall be necessary to achieve the objectives of the Project.

Section 3.04. The Borrower shall, as the case may be, enter into an agreement or make appropriate arrangements, under terms and conditions which shall have been previously approved by the Association, providing for the orderly and timely distribution of all goods to be procured under Parts C and F of the Project.

Section 3.05. The Borrower shall promptly take all action necessary to ensure that: (i) the National Bank of Cambodia, referred to in Section 2.02 (b) of this Agreement, shall at all times apply its published official foreign exchange rate to all private sector purchases of goods or services financed out of the proceeds of the Credit, all in accordance with a methodology and procedures satisfactory to the Association; and (ii) the proceeds derived from the sale of goods imported under the Project and financed by the Credit shall be appropriated to budgetary expenditures which are consistent with the objectives of the Project.

Section 3.06. Except as the Association shall otherwise agree, procurement of 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.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, separate 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 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 (6) 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 (1) 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

##### 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 Borrower shall have failed to carry out its public budget for Fiscal Year 1994, or any part of the economic program of public revenue generation and expenditure control contained therein, pursuant to the provisions of Section 3.01 (b) of this Agreement.

(b) The Borrower shall have failed to ensure that the proceeds derived from the sale of goods imported under the Project and financed by the proceeds of the Credit are used for purposes which are consistent with the objectives of the Project.

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

(A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project, including the SIDA Grant, shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) Any such 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 agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) Any event specified in Sections 5.01 (c) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

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

#### ARTICLE VI

Effective Date; Termination

Section 6.01. The date one hundred and twenty (120) 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 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance  
Ministry of Finance  
92nd. Street  
Phnom Penh  
Kingdom of Cambodia

Telex:

(583) 1770101 CMPP

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.

KINGDOM OF CAMBODIA

By /s/ Cham Prasidh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Acting Regional Vice President  
East Asia and Pacific

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) Goods under Part A of the Project	4,700,000	100% of foreign expenditures
(2) Goods under Part B of the Project	2,900,000	100% of foreign expenditures
(3) Goods under Part C of the Project	2,900,000	100% of foreign expenditures
(4) Goods under Part D of the Project	4,500,000	100% of foreign expenditures
(5) Goods under Part E of the Project	6,500,000	100% of foreign expenditures
(6) Goods under Part F of the Project	3,600,000	100% of foreign expenditures
(7) Goods under Part G of the Project	18,000,000	100% of foreign expenditures
(8) Unallocated	2,100,000	
TOTAL	45,200,000	

2. For the purposes of this Schedule, 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.

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 to exceed eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000), may be made in respect of Categories (1) through (7) on account of payments made for expenditures before that date but after July 15, 1993; and (b) no withdrawals shall be made, and no commitment shall be entered into to pay amounts to or on order of the Borrower, for expenditures under Categories (3) and (6) in respect of Parts C and F of the Project, respectively, unless the Borrower shall have entered into the agreements or made appropriate arrangements, as the case may be, necessary for the distribution of the goods to be procured under said Parts C and F, pursuant to the provisions of Section 3.04 of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower rehabilitate its key economic activities and public infrastructure and improve the delivery of critical public services, so as to help it restore and maintain its economic capacity in key sectors of its economy.

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 Rehabilitation Component

Provision of: (1) vehicles and demonstration materials (including fertilizers and pesticides) for agricultural extension and demonstration support to farmers; (2) equipment for collecting agricultural statistics; (3) about one hundred (100) tractors for reclaiming rainfed paddy land; (4) materials for repairing two (2) diversion weirs; (5) chemicals, fertilizers and herbicides; (6) materials for capture fisheries

development; (7) equipment and materials for developing livestock; (8) equipment to support land tilling and registration; and (9) materials and equipment for developing agricultural training institutions.

Part B: Education Rehabilitation Component

Provision of: (1) spare parts, raw materials and printing equipment for producing textbooks; (2) new textbooks; (3) spare parts, consumables, storage and handling equipment for distributing textbooks; and (4) construction materials for rehabilitating and constructing primary school classrooms.

Part C: Health Rehabilitation Component

Provision of: (1) essential drugs; and (2) medical and surgical equipment, including laboratory equipment, mobile x-ray equipment and operating tables, instruments and sterilizers.

Part D: Power Rehabilitation Component

Provision of four (4) 2.1 MW medium-speed diesel power generator sets.

Part E: Transport Rehabilitation Component

Provision of: (1) fuel, material and equipment to (a) rehabilitate about sixty (60) kilometers of priority roads, (b) rehabilitate or reconstruct about two hundred (200) meters of damaged or unsafe bridges and (c) carry out routine road maintenance; (2) spare parts for existing cargo handling equipment in the Borrower's cities of Phnom Penh and Sihanoukville; (3) spare parts and consumables for rehabilitating and operating two (2) dredges; (4) equipment, supplies and materials for resuming hydrographic surveys and installing and replacing navigational aids and channel markers; and (5) spare parts, supplies, materials, tools and machinery for railway workshops.

Part F: Water Supply Rehabilitation Component

Provision of: (a) distribution pumps and motors for rehabilitating the pumping groups of the booster station in the city of Phnom Penh; (b) pipelines in the Borrower's cities of Phnom Penh and Sihanoukville; (c) small pumps, mechanical and electrical equipment needed to repair production facilities in four or five provincial capitals; and (d) small semi-mechanized drilling rigs, tools for digging wells and hand pumps to construct potable water points.

Part G: General Critical Imports Component

Importation of critical goods required generally for the rehabilitation of the Borrower's economy, and as previously approved by the Association.

Part H: Institutional Strengthening

1. Provision of technical assistance services to strengthen the institutional capacity of the Borrower and the PIU for implementing the Project.
2. Provision of office equipment in respect of carrying out the foregoing.

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

SCHEDULE 3

Procurement of Goods

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, Contracts for the procurement of goods, estimated to cost the equivalent of one million dollars (\$1,000,000) or more each under the Project except Part G thereof, and contracts for the procurement of essential commodities, estimated to cost the equivalent of three million dollars (\$3,000,000) or more each under Part G of the Project, shall be awarded through



international competitive bidding 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"), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for pre-qualification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. 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 (2) pre-disclosed correction factors acceptable to the Association, one (1) to be applied to all foreign currency components, and the other to the local currency component of the bid price. Such increase shall not be taken into account in the bid evaluation.

Part B: Other Procurement Procedures

1. International Shopping and Direct Contracting

Except as provided in sub-paragraph (b) hereof, goods under the Project except Part G thereof, estimated to cost the equivalent of less than one million dollars (\$1,000,000) but more than ten thousand dollars (\$10,000) per contract, up to an aggregate amount not to exceed the equivalent of thirteen million one hundred thousand dollars (\$13,100,000), may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three (3) suppliers from at least two (2) different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Procurement of Essential Commodities

(a) Essential commodities under Part G of the Project, estimated to cost the equivalent of less than three million dollars (\$3,000,000) per contract, up to an aggregate amount equivalent of twenty five million dollars (\$25,000,000) may be procured by private importers according to established commercial practices which have been determined to be acceptable to the Association.

(b) Subject to the Association's prior approval, goods under the Project, except Part G thereof, up to an aggregate amount not to exceed the equivalent of five million one hundred thousand dollars (\$5,100,000) per contract, may be procured under contracts awarded on the basis of direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods (i) under the Project except Part G thereof, estimated to cost the equivalent of one million dollars (\$1,000,000) or more, and (ii) essential commodities under Part G of the Project, estimated to cost the equivalent of three million dollars (\$3,000,000) 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 (2) 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 (2) 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 fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1) to (7) 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 ten million dollars (\$10,000,000) to be withdrawn from the Credit Account and deposited in 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 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 into 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.