

CONFORMED COPY

CREDIT NUMBER 2329 IN

(Shrimp and Fish Culture Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 29, 1992

CREDIT NUMBER 2329 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 29, 1992, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Borrower and by the Project States (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project States a portion of the proceeds of the Credit as provided in this Agreement; and

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

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) "Project Agreement" means the agreement between the Association and the State of Andhra Pradesh, the State of Bihar, the State of Orissa, the State of Uttar Pradesh and the State of West Bengal 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;

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

(c) "Andhra Pradesh" means the State of Andhra Pradesh, a State of the Borrower, or any successor thereto;

(d) "Bihar" means the State of Bihar, a State of the Borrower, or any successor thereto;

(e) "Orissa" means the State of Orissa, a State of the Borrower or any successor thereto;

(f) "Uttar Pradesh" means the State of Uttar Pradesh, a State of the Borrower or any successor thereto;

(g) "West Bengal" means the State of West Bengal, a State of the Borrower, or any successor thereto;

(h) "Project States" means Andhra Pradesh, Bihar, Orissa, Uttar Pradesh and West Bengal collectively and "Project State" means any one of them individually;

(i) "MOA" means the Ministry of Agriculture of the Borrower;

(j) "BFDA" means Brackishwater Farmers Development Agency of each relevant Project State;

(k) "CICEF" means the Borrower's Central Institute of Coastal Engineering for Fisheries;

(l) "CPU" means the Central Project Unit established by the Borrower within its MOA;

(m) "DOF" means the Department of Fisheries of each Project State;

(n) "FFDA" means the Fish Farmer Development Agency of each relevant Project State;

(o) "SPU" means the State Project Unit established by each Project State within its DOF;

(p) "Participating Bank" means either a commercial bank or a cooperative bank, satisfactory to the Association, in each Project State with which each such State enters into a Participation Agreement (as hereinafter defined);

(q) "Participation Agreement" means the agreement entered

into by each Project State with a Participating Bank pursuant to Section 6.01 of this Agreement for purposes of acting as a financial agent on behalf of each such State in providing Project Sub-loans (as hereinafter defined) under Parts A.2 and B.2 of the Project (collectively referred to as "Participation Agreements");

(r) "Individual Shrimp Beneficiary" means an individual in a relevant Project State selected in accordance with procedures and criteria set forth in Section I of Schedule 3 to the Project Agreement (collectively referred to as "Individual Shrimp Beneficiaries");

(s) "Shrimp Beneficiary" means a private entrepreneur or an entity wholly or partially owned by the State in a relevant Project State (collectively referred to as "Shrimp Beneficiaries");

(t) "Cooperative Beneficiary" means a Cooperative established under the relevant laws of the Borrower or a Project State and selected in accordance with procedures and criteria set forth in Section II of Schedule 3 to this Agreement (collectively referred to as "Cooperative Beneficiaries");

(u) "Fish Beneficiary" means a private entrepreneur in a Project State (collectively referred to as "Fish Beneficiaries");

(v) "Project Beneficiaries" means one or more of the following: Individual Shrimp Beneficiaries, Shrimp Beneficiaries, Cooperative Beneficiaries and Fish Beneficiaries;

(w) "Shrimp Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank, acting as a financial agent on behalf of a relevant Project State, to a Shrimp Beneficiary for carrying out a Shrimp Sub-Project (as hereinafter defined) in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Shrimp Sub-loans");

(x) "Shrimp Working Capital Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank, acting as a financial agent on behalf of a relevant Project State, to an Individual Shrimp Beneficiary for carrying out a Shrimp Working Capital Sub-project (as hereinafter defined) in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Shrimp Working Capital Sub-loans");

(y) "Fish Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank, acting as a financial agent on behalf of a Project State, to a Fish Beneficiary for carrying out a Fish Sub-project (as hereinafter defined) in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Fish Sub-loans");

(z) "Category I Fish Working Capital Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank, acting as a financial agent on behalf of a Project State, to a Cooperative Beneficiary for carrying out a Category-I Fish Working Capital Sub-Project (as hereinafter defined) in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Category I Fish Working Capital Sub-loans");

(aa) "Category II Fish Working Capital Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank, acting as a financial agent on behalf of a Project State, to a Cooperative Beneficiary for carrying out a Category II Fish Working Capital Sub-project (as hereinafter defined) in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Category II Fish Working Capital Sub-loans");

(bb) "Project Sub-loans" means one or more of the following: Shrimp Sub-loans, Shrimp Working Capital Sub-loans, Fish Sub-loans, Category I Fish Working Capital Sub-loans, and Category II Fish Working Capital Sub-loans;

(cc) "Shrimp Sub-project" means a specific development project for the establishment of shrimp hatcheries, backyard nurseries, feed mills, ice plants and quick freezing plants or other related activities, acceptable to the Association, to be carried out by a Shrimp Beneficiary utilizing the proceeds of a Shrimp Sub-loan in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Shrimp Sub-project");

(dd) "Shrimp Working Capital Sub-project" means a sub-project for the initial stocking of seed and feed to be carried out by an Individual Shrimp Beneficiary utilizing the proceeds of a Shrimp Working Capital Sub-loan in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Shrimp Working Capital Sub-projects");

(ee) "Fish Sub-project" means a specific development project for the establishment of fish hatcheries and ice plants to be carried out by a Fish Beneficiary utilizing the proceeds of a Fish Sub-loan in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Fish Sub-projects");

(ff) "Category I Fish Working Capital Sub-project" means a specific development project for the establishment of rearing ponds, fish pens and cages to be carried out by a Cooperative Beneficiary utilizing the proceeds of a Category I Fish Working Capital Sub-loan in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Category I Fish Working Capital Sub-projects");

(gg) "Category II Fish Working Capital Sub-project" means a sub-project for the acquisition of boats and nets and for the initial stocking of reservoirs and ox-bow lakes with fingerlings and feed to be carried out by a Cooperative Beneficiary utilizing the proceeds of a Category II Fish Working Capital Sub-loan in accordance with the provisions of this Agreement and the Project Agreement (collectively referred to as "Category II Fish Working Capital Sub-projects");

(hh) "Sub-projects" means one or more of the following: Shrimp Sub-projects, Shrimp Working Capital Sub-projects, Fish Sub-projects, Category I Fish Working Capital Sub-projects and Category II Fish Working Capital Sub-projects; and

(ii) "Project Sub-loan Agreements" means agreements providing for Project Sub-loans.

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 sixty-two million nine hundred thousand Special Drawing Rights (SDR 62,900,000).

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 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 Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such

later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent ($1/2$ of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 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 June 1 and December 1 commencing June 1, 2001 and ending December 1, 2025. Each installment to and including the installment payable on December 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 D of the Project through MOA with due diligence and efficiency and in conformity with appropriate administrative and financial 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 the Development Credit Agreement, the Borrower shall cause the Project States to perform in accordance with the provisions of the Project Agreement all the obligations of the Project States 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 the Project States 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 make a portion of the proceeds of the Credit available to the Project States in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

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 D of the Project shall be carried out by the Borrower, and in respect of Parts A, B and C of the Project by the Project States pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part D of the Project of the departments or agencies of the Borrower responsible for carrying out such Part of the Project or any part thereof.

(b) The Borrower shall:

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

- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

ARTICLE V

Remedies of the Association

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

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

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

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that Participation Agreements, satisfactory to the Association, have been entered into by each Project State with a Participating Bank.

Section 6.02 The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by each Project State, and is

legally binding upon each such State in accordance with its terms.

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

Section 6.04. The obligations of the Borrower under Section 3.03 of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Ministry 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:

The Secretary to the Government of India
Ministry of Finance
Department of Economic Affairs
New Delhi, PIN 110001, India

Cable address:

Telex:

ECOFAIRS
New Delhi

953-3166175

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

INDIA

By /s/ Lalit Mansingh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph Wood

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, 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) Civil works	38,500,000	90%
(2) Equipment, fishmeal, vehicles, boats and furniture	6,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local ex- penditures for other items pro- cured locally
(3) Goods and works under Project Sub-loans	14,000,000	80%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Consultants' services and training	2,200,000	100%
(5) Incremental staff costs	1,500,000	80% of expendi- tures incurred until March 31, 1994, 70% of expenditures incurred there- after until March 31, 1996, and 60% of expenditures in- curred thereafter
TOTAL	62,900,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental staff costs" means the incremental costs for salaries and allowances of the staff of CPU and CICEF incurred by the Borrower and its relevant departments and agencies,

and the staff of SPU, BFDA and FFDA incurred by each Project State and its relevant departments and agencies for purposes of implementing the Project.

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 SDR 1,500,000, may be made on account of payments made for expenditures before that date but after July 31, 1991.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase shrimp and fish production in the Project States which would lead, inter alia, to increase of exports, improvement of low-productivity land, protection of ecologically vulnerable areas, create employment, improve economic and social welfare of weaker sections and foster rural development.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Brackishwater Shrimp Culture

1. Development of pond sites for carrying out brackishwater shrimp farming and culture, about 5 each in Andhra Pradesh and West Bengal and about 3 in Orissa, consisting of:

(a) construction of clusters of shrimp ponds and supporting common infrastructure, including cyclone protection and perimeter dykes, main and secondary supply and drainage canals, control gates, reservoir, pumps and pump houses, handling sheds, warehouses, and guard houses; and

(b) construction of approach and internal roads, fresh water supply facilities, including deep wells, pumps and supply lines and electrical systems, including provision of generating sets.

2. Provision of Shrimp Sub-loans to Shrimp Beneficiaries and Shrimp Working Capital Sub-loans to Individual Shrimp Beneficiaries for carrying out Shrimp Sub-projects and Shrimp Working Capital Sub-projects respectively.

Part B: Inland Fisheries

1. Development of inland fisheries in about 130 reservoirs in Andhra Pradesh, Orissa and Uttar Pradesh, and in about 60 ox-bow lakes in Bihar, West Bengal and Uttar Pradesh, consisting of:

(a) construction of protection dykes, inlet and outlet gates, gravel roads, and fish handling sheds; and

(b) dewatering and dividing of ox-bow lakes.

2. Provision of: (a) Fish Sub-loans to Fish Beneficiaries for carrying out Fish Sub-projects; (b) Category I Fish Working Capital Sub-loans to Cooperative Beneficiaries for carrying out Category I Fish Working Capital Sub-projects; and (c) Category II Fish Working Capital Sub-loans to Cooperative Beneficiaries for carrying out Category II Fish Working Capital Sub-projects.

Part C: Project Management

1. Training of extension staff, Project Beneficiaries, participating non-governmental organizations and staff of SPUs, BFDA and FFDA.

2. Provision of consultants, staff, vehicles, equipment and furnishings to SPUs, BFDAs and FFDAs.

3. Carrying out of a program to mitigate the adverse environmental impacts of the Project.

Part D: Monitoring and Coordination

1. Strengthening CPU for purposes of planning, coordinating and monitoring the activities under the Project.

2. Provision of consultants, staff, vehicles, equipment and furniture for CPU and CICEF.

3. Carrying out of a pilot program for the production of Artemia cyst, including provision of training, equipment and a consultant.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 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 with respect to 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 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.

