

CONFORMED COPY

CREDIT NUMBER 2348 EG

(Health Improvement Project)

between

REPUBLIC OF EQUATORIAL GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 6, 1992

CREDIT NUMBER 2348 EG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 6, 1992, between REPUBLIC OF EQUATORIAL GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Develop-

ment 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "BEAC" means the central bank of the Borrower;
- (b) "CFAF" means the currency of the Borrower;
- (c) "MC" means the managing committee of MOH (as hereinafter defined) referred to in Section 3.08 of this Agreement, and described under Part A.1 (a) (i) of the Project;
- (d) "MCH/FP" means the mother and child health and family planning component described under Part C.2 of the Project;
- (e) "MOH" means the Ministry of Health of the Borrower;
- (f) "AFU" means the administration and finance unit referred to in Section 3.08 of this Agreement and described under Part A.1 (a) (iii) of the Project;
- (g) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated July 14, 1988 and October 24, 1988, and April 5, 1990 and May 15, 1990 between the Borrower and the Association;
- (h) "PU" means the planning unit of MC referred to in Section 3.08 of this Agreement and described under Part A.1 (a) (ii) of the Project; and
- (i) "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 the Development Credit Agreement, an amount in various currencies equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000).

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 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 CFAF a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 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 March 15 and September 15 commencing September 15, 2002 and ending March 15, 2032. Each installment to and including the installment payable on March 15, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. 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 its Ministry responsible for Health with due diligence and efficiency and in conformity with appropriate administrative, financial and health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. The Borrower shall prepare and submit to the Association by December 31, 1993, an action plan to extend the fee policy applied on the date of this Agreement at the Malabo and Bata hospitals to other hospitals, and implement such plan, satisfactory to the Association, not later than June 30, 1994.

Section 3.04. The Borrower and the Association shall review in October of each year during the execution of the Project: (a) all investment expenditures in the health sector during the previous year and those planned for the coming three years, with particular attention on their recurrent cost implications; and (b) the allocation of the recurrent budget across existing programs and services to cover at least their estimated annual operating costs for materials, drugs, fuel, maintenance and equipment.

Section 3.05. The Borrower shall prepare and submit to the Association by March 31, 1993, for review, a new list of national essential generic drugs, guidelines on prescriptions, norms for imported drugs and the qualifications of pharmacists and their assistants.

Section 3.06. The Borrower shall: (a) evaluate each year during the execution of the Project, technical and management training activities undertaken during the previous year; (b) furnish to the Association for its review and approval by October of each year revised training plans based on such evaluation; and (c) implement such plans taking into consideration the Association's comments.

Section 3.07. The Borrower shall: (a) starting in fiscal year 1992, increase MOH's budgetary allocation to cover part of its non-wage recurrent expenditures by at least CFAF 150.8 million and maintain such allocation in subsequent years during the execution of the Project; and (b) open and maintain a counterpart fund account in BEAC and annually deposit therein the amount referred to under paragraph a) above, in four quarterly installments of CFAF 37,700,-000 each made not later than March 31, June 30, September 30 and December 31 of each year.

Section 3.08. The Borrower shall maintain MC, PU and AFU operational and fully staffed with qualified and experienced persons in adequate numbers during the execution of the Project.

Section 3.09. For all fellowships financed out of the proceeds of the Credit, the Borrower shall: (a) submit to the Association for its review the functions and qualifications of the candidates and the proposed training program; and (b) take all necessary measures to ensure that all trained staff remains assigned to the job for which it was trained for a period of at least three years.

Section 3.10. The Borrower and the Association shall not later

than June 30, 1994, conduct a mid-term Project implementation review to monitor progress in carrying out the Project and meeting its objectives. Without limitation upon the generality of the foregoing, such review shall include an evaluation of the: (a) functioning of essential management structures of MOH; (b) progress of cost recovery measures for drug sales and medical fees and their impact on health care service quality and utilization; (c) progress of training activities and the performance of trained staff; (d) progress of the priority programs, particularly the MCH/FP, malaria control and essential drugs programs; and (e) general administration of the Project, including timely availability of counterpart funds and their use, compliance with agreed procurement and auditing requirements, maintenance of equipment and facilities financed under the Project, and MOH reporting duties.

Section 3.11. In order to carry out Part C.2 of the Project, the Borrower shall: (a) submit to the Association for review not later than December 31, 1993, proposals for staff nominations to the four rural health centers; and (b) thereafter ensure that such centers are staffed at all times with qualified and experienced persons in adequate numbers.

Section 3.12. Notwithstanding the provisions of Section 3.04 of this Agreement, the Borrower shall obtain the Association's prior approval for any hospital renovation/construction estimated to cost the equivalent of \$1,500,000 or more.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the

Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the account referred to under Section 3.07 (b) of this agreement has been opened in BEAC, and the initial deposit of CFAF 37,700,000 for the first quarter has been made therein;
- (b) MOH's revised organizational structure referred to under Part A.1 (a) of the Project, satisfactory to the Association, has been adopted; and
- (c) an adequate accounting system for the Malabo and Bata hospitals has been prepared and is operational, and MOH's staff has been trained to operate it.

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

ARTICLE VI

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Health
Malabo
Guinea Equatorial

Cable address:

MINISANTE
Malabo

Telex:

939 5405

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.

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

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

REPUBLIC OF EQUATORIAL GUINEA

By /s/ Damaso Obiang
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|---|---|--|
| (1) Civil works | 710,000 | 100% |
| (2) Furniture, equipment, vehicles and materials | 660,000 | 100% |
| (3) Drugs | 440,000 | 90% through December 31, 1994, 60% thereafter |
| (4) Consultants' services, training and fellowships | 760,000 | 100% |
| (5) Incremental operating costs | 190,000 | 90% through December 31, 1993, 60% through December 31, 1995, 30% thereafter |
| (6) Refunding of Project Preparation Advance | 520,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|-----------------|---|--|
| (7) Unallocated | 620,000 | |
| | <hr/> | |
| TOTAL | 3,900,000 ===== | |

2. For the purposes of this Schedule, the term "incremental operating costs" means salaries of contractual staff, operating costs of the new facilities and vehicles, and fuel.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 50,000 may be made in respect of Category (1) on account of payments made for expenditures before that date but after February 1, 1992; (b) under Category (3) above, until the Borrower has submitted to the Association decrees, satisfactory to the Association, introducing the list of essential generic drugs, the drug prescription guidelines and the quality control measures referred to under Section 3.05 of this Agreement, and authorizing the retention by individual facilities of the funds generated by the drug cost recovery mechanism to finance their non-wage recurrent expenditures; and (c) under Categories (3) and (5) above, after March 31 of each year during the execution of the Project, unless the deposit of CFAF 37,700,000 corresponding to the first quarter of such year has been made into the account referred to under Section 3.07 (b) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen the Borrower's capacity in planning, coordinating and monitoring health sector activities.

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: Institutional Strengthening of the Health Sector

1. Strengthening of MOH through:

(a) the reinforcement of: (i) MC to continuously review, plan and program health policies, monitor program implementation, and ensure intra-sectoral and external coordination; (ii) PU to assist MC in day-to-day planning, programming and coordinating of all health sector activities and investments; and (iii) AFU to support MC in the areas of accounting, procurement and general administration of the Project; and

(b) the streamlining and clarification of the functions of selected departments, staff redeployment and decentralization of decision-making, the execution of seminars and workshops for MOH's staff at all levels, the rehabilitation of offices and the acquisition of office equipment and furniture.

2. Strengthening of Hospital Management

Strengthening of the financial and managerial autonomy of the Malabo and Bata hospitals through the improvement of the accounting, financial and control systems, and the introduction of a schedule of fees.

Part B: Health Strategy Development and Implementation

Establishment of a management information system to collect, process and disseminate key data on epidemiological developments, service activities, status of health infrastructure, personnel, budgets, drug supplies and donor programs; preparation of the national health strategy; execution of seminars and workshops for MOH's staff; and acquisition of equipment.

Part C: Strengthening of Priority Health Programs

1. Malaria control: training of village health workers on early detection methods and administration of anti-malaria drugs, and control/reduction of the mosquito vector initially on the Bioko island.
2. MCH/FP: construction and equipment of four health centers in the Micomiseng and Acurenam districts and rehabilitation and equipment of the MCH/FP centers at the Malabo and Bata Hospitals, and technical and management training of staff responsible for MCH/FP services.
3. Sexually transmitted diseases (STD): establishment of an STD national control center in Bata for diagnosis, treatment and data compilation, staff training and acquisition of equipment and office furniture.
4. Pilot program for essential drugs: establishment of a more sustainable essential drug supply and cost recovery system for the public health sector, development of efficient procedures for procurement, distribution and management of essential generic drug supplies on a decentralized basis and through community participation, creation of a central drug supply unit and a therapeutic committee to issue norms and guidelines for the qualification of pharmacists and their assistants, and minimum quality standards for imported drugs, and training of local pharmacists.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods, drugs and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts for civil works and items shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more.
3. Goods and drugs shall be exempted from pre-shipment price inspection by a third-party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Equatorial Guinea may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Civil works for the rehabilitation of MOH offices estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$311,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$177,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or groups of items estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$120,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Purchase of drugs and medical equipment may be made through UNICEF (including pre-packaged supplies from UNIPAC, Copenhagen) in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$20,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consul-

tants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 \$50,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

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

