

CONFORMED COPY

CREDIT NUMBER 2180 GH

Development Credit Agreement  
(Agricultural Diversification Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1990

CREDIT NUMBER 2180 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1990, between REPUBLIC OF GHANA (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) Parts A, B and C of the Project will be carried out by Ghana Oil Palm Development Corporation (GOPDC), Ghana Cocoa Board (COCOBOD) and Ghana Rubber Estates Limited (GREL), respectively, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GOPDC, COCOBOD and GREL part 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 Agreements of even date herewith between the Association, GOPDC, COCOBOD and GREL, respectively;

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) "GOPDC" means the Ghana Oil Palm Development Corporation, a statutory corporation established under the Statutory Corporations Act 1964 (Act 232) of the Borrower;

(b) "COCOBOD" means the Ghana Cocoa Board, established by the Borrower pursuant to the Ghana Cocoa Board Law, 1984;

(c) "GREL" means the Ghana Rubber Estates Limited;

(d) "GOPDC Project Agreement" means the agreement between the Association and GOPDC 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 GOPDC Project Agreement;

(e) "COCOBOD Project Agreement" means the agreement between the Association and COCOBOD 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 COCOBOD Project Agreement;

(f) "GREL Project Agreement" means the agreement between the Association and GREL 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 GREL Project Agreement;

(g) "GOPDC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GOPDC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the GOPDC Subsidiary Loan Agreement;

(h) "GREL Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and GREL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the GREL Subsidiary Loan Agreement;

(i) "Subsidiary Loan Agreements" means the GOPDC Subsidiary Loan Agreement and the GREL Subsidiary Loan Agreement;

(j) "GEPC" means the Ghana Export Promotion Council;

(k) "ADB" means the Agricultural Development Bank;

(l) "ITSPM" means the Intermediate Technology Small-Scale Palm Oil Mills;

(m) "CRIG" means the Cocoa Research Institute of Ghana; and

(n) "Special Accounts" means the accounts 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 twelve

million five hundred thousand Special Drawing Rights (SDR 12,500,000).

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 open and maintain in dollars in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment, namely: (i) a special account (Special Account GOPDC) for the purposes of Part A of the Project; (ii) a special account (Special Account COCOBOD) for the purposes of Part B of the Project; (iii) a special account (Special Account GREL) for the purposes of Part C of the Project; and (iv) a special account (Special Account GEPC) for the purposes of Parts D and E of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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 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 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 October 15, 2000, and ending April 15, 2030. Each installment to and including the installment payable on April 15, 2010, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the

Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end: (i) shall carry out Parts D and E of the Project through GEPC and ADB with due diligence and efficiency and in conformity with appropriate agricultural, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts D and E of the Project; and (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause GOPDC, COCOBOD and GREL to perform, in accordance with the provisions of the respective Project Agreement, all the obligations of GOPDC, COCOBOD and GREL, respectively, 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 GOPDC, COCOBOD and GREL, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, out of the proceeds of the Credit:

- (i) relend, for purposes of Part A of the Project, an amount equivalent to SDR 3,100,000 to GOPDC under a subsidiary loan agreement to be entered into between the Borrower and GOPDC under terms and conditions which shall have been approved by the Association and which shall include: (A) interest at a variable rate equal to the average rates paid by primary banks for term deposits, repayment over thirty (30) years and the foreign exchange risk to be borne by the Borrower; and (B) the terms and conditions pursuant to which GOPDC will manage the oil palm outgrowers program on behalf of the Borrower;
- (ii) relend, for purposes of Part C of the Project, an amount equivalent to SDR 1,800,000 to GREL under a subsidiary loan agreement to be entered into between the Borrower and GREL under terms and conditions which shall have been approved by the Association and which shall include: (A)

interest at a variable rate equal to the average rates paid by primary banks for term deposits, repayment over thirty (30) years and the foreign exchange risk to be borne by the Borrower; and (B) the terms and conditions pursuant to which GREL will manage the rubber outgrowers program on behalf of the Borrower;

- (iii) make available, for purposes of Part B of the Project, an amount equivalent to SDR 2,300,000 to COCOBOD as an equity contribution; and
- (iv) make available, for purposes of Part E of the Project, an amount equivalent to SDR 530,000 to ADB as an equity contribution.

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

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

Section 3.03. The Borrower shall cause ADB to employ, not later than December 31, 1990, a qualified and experienced agronomist for the purpose of appraising pineapple and other horticultural projects.

Section 3.04. The Borrower, through its Ministry of Agriculture, shall enter, not later than June 30, 1991, into an agreement satisfactory to the Association with a non-governmental organization acceptable to the Association for the implementation of the ITSPM sub-component under Part D.4 of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts D and E the Project of the departments or agencies of the Borrower responsible for carrying out Parts D and E 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 including those for the Special Accounts 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 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) GOPDC, COCOBOD or GREL shall have failed to perform any of its obligations under the respective Project Agreements.

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

(c) The legislative instruments establishing GOPDC, COCOBOD or GREL shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GOPDC, COCOBOD or GREL to perform any of their obligations under the respective Project Agreements.

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

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

(a) the event specified in paragraph (a) of Section 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, and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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 Agreements have been duly authorized or ratified by GOPDC, COCOBOD and GREL, respectively, and are legally binding upon GOPDC, COCOBOD and GREL, respectively, in accordance with their terms.

Section 6.02. 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 VII

##### Representative of the Borrower; Addresses

Section 7.01. The PNDC Secretary for Finance and Economic Planning 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:

PNDC Secretary for Finance  
and Economic Planning  
Ministry of Finance and  
Economic Planning  
P.O. Box M40  
Accra, Ghana

Cable address:

Telex:

ECONOMICON  
Accra

2205 MIFAEP GH

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.

REPUBLIC OF GHANA

By /s/ Joseph L. S. Abbey

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
Part A		
(1) Civil works	870,000	100% of foreign expenditures and 90% of local expenditures
(2) Planting	1,170,000	100% of foreign expenditures and 90% of local expenditures
(3) Goods	230,000	100% of foreign expenditures and 85% of local expenditures
(4) Consultants' services and training	750,000	100%
Part B		
(5) Civil works	120,000	100% of foreign expenditures and 90% of local expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Planting	180,000	100% of foreign expenditures and 90% of local expenditures
(7) Goods	1,010,000	100% of foreign expenditures and 85% of local expenditures
(8) Consultants' services and training	720,000	100%
Part C		
(9) Civil works	50,000	100% of foreign expenditures and 90% of local expenditures
(10) Planting	700,000	100% of foreign expenditures and 90% of local expenditures



(11) Goods	110,000	100% of foreign expenditures and 85% of local expenditures
(12) Consultants' services and training	950,000	100%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Parts D and E		
(13) Civil works	1,170,000	100% of foreign and 90% of local expenditures
(14) Goods	700,000	100% of foreign expenditures and 85% of local expenditures
(15) Consultants' services and training	2,340,000	100%
(16) Unallocated	1,430,000	
TOTAL	12,500,000 =====	

2. For the purposes of this Schedule:

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

(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 "planting" means expenditures for seedlings, agro-chemicals, a proportion of labor costs for land preparation and planting, and maintenance of the trees until the end of the first year of harvesting.

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;

(b) payments for expenditures under Categories (1), (2), (3) and (4) unless:

(i) GOPDC has furnished to the Association a model outgrower agreement satisfactory to the Association; and

(ii) the GOPDC Subsidiary Loan Agreement has been executed on behalf of the Borrower and GOPDC and the Association has received an opinion satisfactory to the Association of counsel acceptable to the Association showing that the GOPDC Subsidiary Loan Agreement has been duly executed by the Borrower and GOPDC and is legally

binding upon the Borrower and GOPDC in accordance with its terms;

(c) payments for expenditures under Categories (5), (6), (7) and (8) unless COCOBOD has inserted a statement in mass-circulating Ghanaian newspapers inviting private organizations or individuals to register with COCOBOD for the purposes of engaging in the purchasing, hulling or export of coffee; and

(d) payments for expenditures under Categories (9), (10), (11) and (12) unless the GREL Subsidiary Loan Agreement has been executed on behalf of the Borrower and GREL and the Association has received an opinion satisfactory to the Association of counsel acceptable to the Association showing that the GREL Subsidiary Loan Agreement has been duly executed by the Borrower and GREL and is legally binding upon the Borrower and GREL in accordance with its terms.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist in revitalizing and expanding the cultivation of non-cocoa tree crops and horticultural crops within the framework of an agricultural diversification strategy.

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: Oil Palm Development

1. Planting of about 3,500 ha of high-yielding oil palms, including technical and management assistance by GOPDC to outgrowers therefor.
2. Resurfacing of about 90 km and construction of about 30 km of feeder roads in the oil palm growing areas.
3. Training of GOPDC staff.
4. A study on possible sale of outgrowers' loans by GOPDC to local financial institutions.

#### Part B: Coffee Development

1. Supply of improved planting materials and provision of extension advice by COCOBOD to small coffee farmers for the rehabilitation of about 1,500 ha and new planting of about 3,000 ha of coffee farms.
2. Improvement of CRIG's coffee research through acquisition of field and laboratory equipment, vehicles and training.
3. Coffee-related training for COCOBOD staff.

#### Part C: Rubber Development

1. Development and implementation of an outgrower scheme for 1,200 ha of rubber cultivation.
2. Training of GREL staff.

#### Part D: Horticultural Development and Small-Scale Processing

1. Development and dissemination of technical packages for the production of export pineapples and other horticultural exports.
2. Strengthening of GEPC's marketing capabilities for horticultural products.

3. Improvement of the infrastructure for horticultural exports, including resurfacing of about 100 km of feeder roads in the pineapple growing areas.

4. Establishment and operation of about 60 intermediate technology small-scale palm oil mills, including fractionation facilities, and resurfacing of about 120 km of feeder roads.

5. Construction and operation of a small-scale model artisanal smoked sheet rubber processing unit, including provision of rubber production and processing extension advice.

6. Design and implementation of pilot projects for specialized horticultural production villages, including smallholder pilot projects for pineapples export.

7. Training of MOA staff in pineapple, other horticultural production systems and tree crops production systems.

8. A study on the pineapple canning industry.

9. A study on labor supply in the forest zone.

Part E: Agricultural Support Activities

Installation and operation of a management information system by ADB, including acquisition of computer hardware and vehicles.

\* \* \*

The Project is expected to completed by June 30, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods 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).

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Ghana 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: Other Procurement Procedures

1. Goods estimated to cost more than the equivalent of \$60,000 but less than \$100,000 per contract and civil works may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than the equivalent of \$60,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. The planting operations, including land clearing and crop planting and maintenance, shall be carried out by the outgrowers under arrangements satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

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

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

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

2. The figure of 15% 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 and GOPDC, COCOBOD and GREL in carrying out the Project, consultants shall be employed whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account GOPDC, Categories (1) through (4); (ii) in the case of Special Account COCOBOD, Categories (5) through (8); (iii) in the case of Special Account GREL, Categories (9) through (12); and (iv) in the case of Special Account GEPC, Categories (13) through (15) as such Categories are 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 for each of the Special Accounts an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of any 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 a 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 any 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 respective 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 said Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of any 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 any 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 any 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 any 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 any 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 any 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 any 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.

