

CONFORMED COPY

CREDIT NUMBER 3374-GH

Development Credit Agreement

(Rural Financial Services Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 23, 2001

CREDIT NUMBER 3374-GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 23, 2001, 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) the Project will be carried out by the Bank of Ghana (BOG) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BOG the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to contract from the African Development Bank (the AfDB) a loan (the AfDB Loan) in an amount equivalent to \$5,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the AfDB Loan Agreement) to be entered into between the Borrower and AfDB;

(D) the Borrower intends to contract from the International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an amount equivalent to \$10,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower and IFAD; and

WHEREAS the Bank 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 BOG;

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 October 6, 1999 (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 BOG 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) "Subsidiary Administration Agreement" means the agreement to be entered into between the Borrower and BOG 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 supplemental to the Subsidiary Administration Agreement;

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

(d) "Apex Bank" means the bank established for the purpose of building capacity in the rural and community banks and operating pursuant to the Borrower's Banking Law of 1989 (PNDCL 225), as amended to the date of this Agreement;

(e) "BOG" means the Bank of Ghana established and operating pursuant to the Bank of Ghana Law 1992 (PNDCL 291);

(f) "Rural Banks" means rural banks (including community banks) established and operating pursuant to the Borrower's Banking Law;

(g) "Association of Rural Banks" means the association of rural banks;

(h) "Banking Law" means the Borrower's Banking Law (PNDCL 225), as amended to the date of this Agreement;

(i) "Certified Agencies" means agencies of the rural and community banks certified by the BOG for purposes of the Project;

(j) "MOF" means the Borrower's Ministry of Finance;

(k) "Agricultural Development Bank" means the Agricultural Development Bank established and operating under the Agricultural Development Bank Act, 1965 (Act 286) and The Agricultural Development Bank (Amendment) Act, 1970 (Act 352) as amended to the date of this Agreement;

(l) "NGO" means a non-governmental organization;

(m) "Project Account" means the account to be opened pursuant to Section 3.03 of this Agreement;

(n) "Initial Deposit" means the initial amount to be paid into the Project Account pursuant to Section 3.03 (ii) of this Agreement; and

- (o) "RFID" means the Rural Finance Inspection Department of BOG;
- (p) "BSD" means the Banking Supervision Department of BOG;
- (q) "Project Coordinator" means the Project Coordinator referred to in paragraph 4 (ii) (A) of Schedule 1 to the Project Agreement;
- (r) "Procurement Management Specialist" means the Procurement Management Specialist referred to in paragraph 4 (ii) (B) of Schedule 1 to the Project Agreement;
- (s) "Financial Management Specialist" means the Financial Management Specialist referred to in paragraph 4 (ii) (C) of Schedule 1 to the Project Agreement;
- (t) "Project Implementation Manual" means the Project Implementation Manual referred to in paragraph 1 (a) of Schedule 1 to the Project Agreement;
- (u) "Mid-term Review" means the Mid-term Review referred to in paragraph 3 (a) of Schedule 1 to the Project Agreement; and
- (v) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations.

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Bank of Ghana 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 December 31, 2006, 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 May 1 and November 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 May 1 and November 1 commencing November 1, 2010 and ending May 1, 2040. Each installment to and including the installment payable on May 1, 2020 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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.

Section 2.09. BOG is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause BOG to perform in accordance with the provisions of the Project Agreement all the obligations of BOG 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 BOG 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 make the proceeds of the Credit available to BOG under a subsidiary administration agreement (the Subsidiary Administration Agreement) to be entered into between the Borrower and BOG, under terms and conditions which shall have been approved by the Association.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to the Project Agreement.

Section 3.03 The Borrower shall: (i) establish and thereafter maintain, until completion of the Project, a Project Account in the Bank of Ghana, into which the Borrower shall deposit its counterpart contributions to the costs of the Project; (ii) pay into the Project Account an initial amount in cedis equivalent to \$100,000 (the Initial Deposit); and (iii) thereafter during each following quarter deposit into the Project Account the amount required to cover the Borrower's counterpart contribution for each such quarter, as determined by the Borrower and BOG.

Section 3.04. 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 the Project shall be carried out by BOG pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) 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 of later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate

opinion by said auditors as to whether the Project Management Reports or 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; and

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

ARTICLE V

Remedies of the Association

Section 5.01. (a) Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) BOG shall have failed to perform any of its obligations under the Project Agreement or the Subsidiary Administration 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 BOG will be able to perform its obligations under the Project Agreement or the Subsidiary Administration Agreement; and

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

(A) the right of the Borrower to withdraw the proceeds of any or loan made to the Borrower for the financing of the grant Project (including the AfDB Loan and the IFAD Loan) shall have been suspended, canceled or terminated in whole or in part, pursuant therefor, or to the terms of the agreement providing

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) 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 event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The 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 Subsidiary Administration Agreement has been executed on behalf of the Borrower and BOG;

(b) the following personnel have been transferred by BOG to RFID in accordance with paragraph 4 (ii) of Schedule 1 to the Project Agreement, namely: (i) a Project Coordinator; (ii) a Procurement Management Specialist; and (iii) a Financial Management Specialist;

(c) the Borrower has paid into the Project Account the Initial Deposit;

(d) the Borrower has established the financial management system acceptable to the Association;

(e) The Borrower and BOG have submitted to the Association the Project Implementation Manual in form and substance satisfactory to the Association;

(f) the Borrower has appointed an auditor referred to in Section 4.02 of this Agreement in accordance with Section II of Schedule 2 to the Project Agreement; and

(g) all conditions precedent to the effectiveness of the IFAD Loan Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

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

Section 6.03. The date ninety days (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. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of finance
P. O. Box M40
Accra, Ghana

Cable address:

Telex:

Facsimile:

ECONOMICON

2205 MIFAEPGH

233-21-66709

233-21-663854

233-21-664170

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable address: INDEVAS Washington, D.C. Telex: 248423 (MCI) or 64145 (MCI) Facsimile (202) 477-6391

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

REPUBLIC OF GHANA

By /s/ Yaw Osafo-Maafa
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Peter C. Harrold
Acting 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) Works	290,000	35%
(2) Goods and vehicles	1,100,000	35%
(3) Consultants' services and audit	900,000	30%
(4) Training and studies	640,000	35%
(5) Operating costs	530,000	35%
(6) Unallocated	440,000	
TOTAL	3,900,000	

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 "Operating costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodation but excluding salaries of the Borrower's civil servants.

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 \$100,000 may be made in respect of categories 1, 2, 3, and 5 set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 1, 2000.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (a) goods under contracts not exceeding \$100,000 equivalent each; (b) consultants' services under contracts not exceeding: (i) \$100,000 each for consulting firms; (ii) \$50,000 each for individual consultants; (c) training; and (d) Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote growth and reduce rural poverty by: (i) strengthening the network of Rural Banks; (ii) fostering strong linkages between the Rural Banks and the informal financial sector institutions; and (iii) strengthening the institutional framework for improved oversight and policy formulation in the rural banking sector.

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: Capacity Building: Informal Financial Sector

1. The provision of technical advisory services for the strengthening of institutions operating in the informal financial sector including:

- (i) the strengthening of the existing linkages between the informal financial sector institutions;
- (ii) the identification, development and testing of methods, procedures, rural and processes required for the effective integration of the financial system;
- (iii) the carrying out of pilot activities to (A) facilitate the generation handling of packaging of such informal financial sector of innovative approaches to rural banking, including the risks, the building and improvement of group dynamics, the of financial services (including the appropriate packaging services for entities such as women's groups, and other micro-finance entities and (B) improve the sharing, and availability, of information between the informal and formal financial sector institutions; and
- (iv) the provision of support for the establishment by the Rural Banks of focal points for dealing, through formal sector activities, with their informal sector clients.

2. The carrying out, through the provision of technical advisory services, training and the acquisition of equipment, of improvements in the rural and micro-financial sector including:

- (i) the organization and training of the informal financial sector

institutions;

- (ii) the sharing of best practices between the formal and informal financial sector institutions;
- (iii) the facilitation of the participation and input of the NGOs, as partners, to the improvement of the rural financial sector; and
- (iv) the removal of any administrative and/or regulatory impediments to achieving the effective integration of the financial operations in rural financial sector.

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Part B: Capacity Building: Rural Banks

1. Strengthening of the capacity of the Rural Banks including:

- (i) the development and application of policies and procedures that ensure greater transparency in the business and operations of the Rural Banks;
- (ii) strengthening the capacity of individual Rural Banks to carry out rural project appraisal through the provision of training and technical advisory services;
- (iii) the provision of logistical support to the Rural Banks;
- (iv) the acquisition for the Rural Banks of simple equipment (including communication equipment) to be utilized in the strengthening of institutional and operational capabilities of the Rural Banks (including internal controls in the Rural Banks);
- (v) the provision of, and support for, new information technologies the Rural Banks;
- (vi) the provision of training for staff of the Rural Banks, particularly Banks; in the operation and maintenance of equipment of the Rural Banks;
- (vii) the development for the Rural Banks of an improved reporting system (including training for Rural Bank staff in the operation of said system) that will ensure timely reporting to the Apex Bank and BOG and the effective monitoring of banking activities;
- (viii) the improvement of the existing linkages (A) between individual Rural Banks, and (B) between the Rural Banks and their Certified Agencies;
- (ix) the development of more efficient intrabank services, including the improvement of cash movements services;
- (x) the establishment of well-defined criteria for the setting up of mobilization centers linked to the performance of the Rural Banks; and
- (xi) the updating of the Rural Banks' operational procedures and policies.

2. (a) The development of an overall staff development plan for all categories of the staff (including senior and managerial staff) of the Rural Banks.

(b) The carrying out of a review of the policies and procedures of the Rural Banks to eliminate any that are likely to impede the efficient carrying out of the

business and operations of the Rural Banks.

3. Assisting BOG in the carrying out and monitoring of the Project through the provision of training, logistics and technical advisory services.

Part C: Institutional Building: Apex Bank

1. Strengthening the institutional capacity of the Apex Bank utilizing long and short term technical advisory services, including:

- (i) the carrying out of start-up activities of the Apex Bank;
- (ii) the carrying out of consultation workshops, and the provision of training for key staff of the Apex Bank, including training attachments to suitable overseas banking institutions;
- (iii) the setting up, and definition of the functions, of key units of Apex Bank, including the units to be responsible for: (A) check clearance; (B) treasury operations; (C) banking; (D) supervision monitoring; (E) information services; (F) human resources; and (G) rural deposit insurance scheme;
- (iv) the provision to the Apex Bank of (A) a headquarters office and Regional offices, (B) equipment and vehicles, and (C) other required for the purposes of logistics, communications and activities;
- (v) the development of procedures and policies of the Apex Bank in accordance with the guidelines and policies of BOG; and
- (vi) the development for the Apex Bank of key procedures and processes to be used in the effective carrying out of its business and operations.

Part D: Institutional Support

1. Provision of support to BOG, including:

- (i) the strengthening of (A) BOG's Banking Supervision Department and BOG's Rural Finance Inspection Department through the provision of technical advisory services; and
- (ii) upgrading of: (A) the staff skills of BOG personnel to enable said staff to work more effectively with the Rural Banks and the Apex Bank; and (B) BOG's technologies including the restructuring of its database and training of BOG staff in the receiving and reviewing of electronic reports from the Rural Banks.

2. Provision of support to MOF, including the strengthening of the Microfinance Unit of MOF.

3. Overall oversight of Project implementation, including oversight of financial management comprising:

- (i) the preparation of annual reports for the Project;
- (ii) the carrying out of independent audits of the Project;
- (iii) monitoring and evaluation of the Project; and
- (iv) the carrying out of a study to assess the future role of the

Agricultural Development Bank.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the terms "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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,100,000.

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 deposit into the Special Account of an amount or amounts 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

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

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

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

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

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

