

CONFORMED COPY

CREDIT NUMBER 3282-GH

Development Credit Agreement

(Second Community Water and Sanitation Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 14, 1999

CREDIT NUMBER 3282-GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 14, 1999, 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 Association has received a letter dated August 6, 1999, from the Borrower describing a program of actions, objectives and policies designed to strengthen its water and sanitation sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of nine years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(D) the Project will be carried out by the Community Water and Sanitation Agency (CWSA) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to CWSA the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing,

to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and CWSA;

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 (as amended through December 2, 1997), (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) "Beneficiary" means a group of individuals, a small town, a district or a community for whose benefit a Subproject (as hereinafter defined) is being implemented or proposed to be implemented by a DA (as hereinafter defined);

(b) "CWSA" means Community Water and Sanitation Agency, established and operating pursuant to the Borrower's Community Water and Sanitation Act 564 of 1998;

(c) "DA" means a district assembly organized in accordance with the Local Government Act (Act 462) of the laws of the Borrower, which shall be responsible for implementing Subprojects (as hereinafter defined);

(d) "Ghanaian Cedi" means the currency of the Borrower;

(e) "Grant" means a grant made, or proposed to be made, by CWSA to a DA, to finance a Subproject (as hereinafter defined);

(f) "Memorandum of Understanding" means the memorandum to be entered into between a DA and a Beneficiary for the purposes of Subproject implementation by the DA on behalf of a Beneficiary in accordance with procedures specified in the POM (as hereinafter defined).

(g) "MOWH" means the Borrower's Ministry of Works and Housing;

(h) "Project Account" means the account referred to in Section 3.05 (/a) of this Agreement;

(i) "Project Agreement" means the agreement between the Association and CWSA 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;

(j) "Project Management Report" means the report referred to in Section 4.02 of the Project Agreement;

(k) "Project Operational Manual" or "POM" means the comprehensive manual for the implementation of the Project adopted by the Borrower pursuant to Section 6.01 (c) of this Agreement containing, inter alia, guidelines and procedures to be used for the purpose of implementation of the Project, including eligibility criteria for Subprojects (as hereinafter defined), detailed procurement, disbursement, and financial management procedures applicable thereto, contractual and administrative arrangements for the coordination and execution of the Project, and appropriate mechanisms for community participation in the Project;

(l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated August 6, 1998 and September 11, 1998 between the Borrower and the Association;

(m) "Special Account" means the account referred to in Section 2.02 (b) of

this Agreement;

(n) "Subproject" means a specific development project pertaining to the construction, repair, or rehabilitation of water and sanitation infrastructure facilities, or community training in water and sanitation matters financed, or proposed to be financed, through grants extended to DAs under Part A of the Project;

(o) "Subproject Agreement" means an agreement to be entered into between CWSA and a DA for the execution of Subprojects; and

(p) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and CWSA 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 Subsidiary 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 eighteen million, seven hundred thousand Special Drawing Rights (SDR 18,700,000).

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 (i) 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 (other than Part A thereof) and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by CWSA on account of withdrawals made for the benefit of a DA under a Subproject under a Grant to meet the reasonable cost of goods and services required for a Subproject to be financed under Part A of the Project and in respect of which the withdrawals from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Association 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 3 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 canceled.

Section 2.03. The Closing Date shall be June 30, 2003 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 canceled; 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), (c), and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each November 1 and May 1, commencing November 1, 2009 and ending May 1, 2039. Each installment to, and including the installment payable on, May 1, 2019 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. The Chief Executive of CWSA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provision 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 CWSA to perform, in accordance with the provisions of the CWSA Project Agreement, all the obligations of CWSA therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services, and other resources necessary or appropriate to enable CWSA 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 available the proceeds of the Credit to CWSA as a grant under a subsidiary agreement to be entered into between the Borrower and CWSA (the Subsidiary Agreement) under such terms and conditions as shall have been approved by the Association.

(c) the Borrower shall exercise its rights under the Subsidiary 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 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 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

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 CWSA pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in the name of CWSA an account (the Project Account) in Ghanaian Cedis in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into such account in an amount equivalent to \$400,000 to finance the Borrower's contribution to salaries and operating costs of CWSA; and

(c) deposit into the Project Account by May 15 in each year, beginning May 15, 2000, until the completion of the Project such amounts as shall be required to replenish in a timely manner the Project Account and restore it back to the amount of the initial deposit referred to in paragraph (b) above.

#### 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 statements of expenditure and Project Management Reports, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with sound accounting practices, records and 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, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four 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 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. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

(b) CWSA shall have failed to perform any of its obligations under the Project Agreement.

#### 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 Borrower has established the Project Account and deposited therein the initial deposit referred to in Section 3.05 (b) of this Agreement;

(b) the Borrower has appointed all the members of the CWSA Board in accordance with the provisions of the Community Water and Sanitation Act, Act 564 of the laws of the Borrower;

(c) CWSA and MOWH have jointly adopted the POM in form and substance acceptable to the Association; and

(d) the Subsidiary Agreement has been executed on behalf of the Borrower and CWSA.

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 CWSA and is legally binding upon CWSA in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized or ratified by the

Borrower and CWSA and is legally binding upon the Borrower and CWSA in accordance with its terms.

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

#### ARTICLE VII

##### Representatives 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 M.40  
Accra, Ghana

Cable address:

ECONOMICON  
ACCRA

Telex:

2205 MIFAEPGH

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)

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/ Moses Asaga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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) Grants for Subprojects	14,500,000	100% of amount disbursed
(2) Consultants' services and training	1,730,000	100%
(3) Goods	670,000	100% of foreign expenditures and 90% of local expenditures
(4) Management Fee (under Part C of the Project)	900,000	100%
(5) Refunding of Project Preparation Advance	600,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	300,000	
TOTAL	18,700,000	

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 "Management Fee" means the remuneration provided to CWSA on account of its services to be rendered for the Project implementation as provided in the Subsidiary Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,000,000, may be made in respect of Category 1 on account of payments made for expenditures before that date but after July 15, 1999; and (b) a Subproject, unless such Subproject has been approved by the Association in accordance with, and subject to, the provisions of paragraph 6 to Schedule 2 to the Project Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for (a) goods and works not exceeding US\$100,000 equivalent, (b) consulting firms under contracts not exceeding US\$100,000 equivalent; and (c) individual consultant's services under contracts not exceeding US\$50,000 equivalent, 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 assist the Borrower in: (a) implementing demand-responsive and sustainable community water and sanitation services in rural areas and small towns; (b) strengthening the capacity of communities to manage such services; (c) strengthening district-level capacity to deliver community water and sanitation services, including the capacity of the private sector and non-governmental



organizations to deliver goods and services and the capacity of District Assemblies to plan and provide support to communities; and (d) strengthening CWSA's capacity to assume the role as facilitator in the implementation of the national-level community water and sanitation program.

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: Community Subprojects

The promotion, appraisal, design, carrying out, supervision, monitoring, evaluation and provision of Grants for the financing of Subprojects prepared and submitted by Beneficiaries, including, inter alia, protected communal hand-dug wells with or without a water lifting device; communal boreholes equipped with handpumps; mechanized boreholes with overhead tank, limited distribution networks and communal stand pipes; surface water supply systems storage and distribution network with standpipes; protected spring sources, with or without simple distribution networks and storage; rainwater catchments; household and school latrines; and all other water and sanitation technologies which meet all technical, environmental, financial, and sustainability requirements as specified in the POM.

Part B: Sector Strengthening

Strengthening of the capacity of service providers in the water and sanitation sector to ensure adequate and timely provision of high quality goods and services at the local level through:

(a) the provision of technical advisory services, training, logistical support and simplification of procedures to encourage the participation of the small-scale entrepreneur, particularly to drilling contractors, drilling consultants and supervisors, hand-dug well contractors, spare parts suppliers, sanitation contractors, area mechanics, latrine artisans, small town water system operators, and providers of training and community development services;

(b) the organization of orientation courses for DA personnel and orientation sessions to be implemented by the regional water supply teams for District Assembly staff, education officers, school health program coordinators, and other relevant personnel covering information pertaining to the Project, the demand-based nature of the Project, contracting arrangements, financial management and production and distribution of easy-to-use district-level POMs; and

(c) the provision of technical advisory services, equipment and training to support the Borrower's national community water and sanitation program development, including, inter alia, initial equipment and vehicles for RWSTs, participatory program reviews by all stakeholders, topical research, mass media campaigns for disseminating hygiene education and external impact assessments, exchanges with other countries, other special studies, including strategies for reducing unit costs of boreholes, and sustainable spare parts distribution.

Part C: Program Management

Strengthening the operational capacity of CWSA to enable it to implement the Program through the provision of technical advisory services and the payment of a Management Fee.

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The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 US\$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 US\$300,000 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 5,000,000.

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 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.

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