

CONFORMED COPY

CREDIT NUMBER 2416 GUI

(Second Power Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 19, 1992

CREDIT NUMBER 2416 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 19, 1992, between REPUBLIC OF GUINEA (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 May 22, 1992, from the Borrower describing a program of actions, objectives and policies designed to streamline the Borrower's energy sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the African Development Bank, (AfDB) a loan (the AfDB Loan) in an amount equivalent to \$17,000,000 to assist in financing part of 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 European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to \$25,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EEC Loan Agreement) to be entered into between the Borrower and EEC;

(E) the Borrower intends to receive from the Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount equivalent to \$8,700,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and the Association as Administrator of the CIDA Grant;

(F) the Borrower has contracted from the Caisse Centrale de Cooperation Economique, (CCCE) a loan (the CCCE Loan) in an amount equivalent to \$11,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(G) the Borrower intends to contract from Kreditanstalt für Wiederaufbau (KfW) a loan (the KfW Loan) in an amount equivalent to \$6,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(H) the Borrower has received from Gesellschaft für Technische Zusammenarbeit, (GTZ) a grant (the GTZ Grant) in an amount equivalent to \$400,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the GTZ Grant Agreement) to be entered into between the Borrower and GTZ;

(I) the Borrower intends to receive from Fonds Européen de Développement, (FED) a grant (the FED Grant) in an amount equivalent to \$7,000,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FED Grant Agreement) to be entered into between the Borrower and the FED;

(J) the Borrower intends to contract from Japan (Japan) a loan (the Japanese Loan) in an amount equivalent to \$5,200,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Japanese Loan Agreement) to be entered into between the Borrower and Japan;

(K) the Borrower has received from the United States International Development Agency, (USAID) a grant (the USAID Grant) in an amount equivalent to \$800,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) to be entered into between the Borrower and USAID;

(L) Part B of the Project will be carried out by Entreprise Nationale d'Electricité de Guinée (ENELGUI) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ENELGUI a portion of the proceeds of the Credit as provided in this Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated May 12, 1990 and June 20, 1990 and October 25, 1991 between the Borrower and the Association;

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

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

(d) "ENELGUI" means Entreprise Nationale d'Electricit e de Guin e, a state-owned enterprise established and operating pursuant to Ordonnance No. 070/PRG/87 of the Borrower as amended to date;

(e) "Project Agreement" means the agreement between the Association and Entreprise Nationale d'Electricit e de Guin e (ENELGUI), 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;

(f) "MRNEE" means the Minist re des Ressources Naturelles des Energies et de l'Environnement of the Borrower;

(g) "Disposition Fund" means the account referred to in Section 3.07 of the Project Agreement; and

(h) "BCRG" means Banque Centrale de la R publique de Guin e, the Central Bank of the Borrower.

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 thirty six million five hundred thousand Special Drawing Rights (SDR 36,500,000).

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

(b) The Borrower shall, for the purposes of Parts A and B 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 4 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2002 and ending March 15, 2032. Each installment to and including the installment payable on March 15, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the United States of America is

hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. ENELGUI is designated as representative of the Borrower in respect of Part B of the Project 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:

- (i) shall carry out Parts A and C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ENELGUI to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ENELGUI 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 relend the equivalent of \$40,000,000 out of the proceeds of the Credit to ENELGUI under a subsidiary loan agreement to be entered into between the Borrower and ENELGUI, under terms and conditions which shall have been approved by the Association which shall include: (i) repayment of principal in 20 years including a grace period of five years; (ii) the payment of interest at the rate of 7.5% per annum; and (iii) ENELGUI to bear the foreign exchange risk on such onlending.

(c) The Borrower shall exercise its rights under the Subsidiary Loan 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 Loan Agreement or any provision thereof.

Section 3.02. In order to carry out Parts A and C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by ENELGUI pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall: (a) promptly carry out the Program in accordance with a timetable agreed upon with the

Association; (b) take all measures required on its part to enable ENELGUI to adopt and thereafter maintain at all times a new tariff structure satisfactory to the Association; (c) cause BCRG to open and maintain an account (the Disposition Fund) under terms and conditions satisfactory to the Association, and to be domiciled with a BCRG's correspondent in Switzerland and to be jointly managed by BCRG and ENELGUI, in accordance with the provisions of Section 3.07 of the Project Agreement; (d) make for each fiscal year commencing with its 1993 fiscal year, sufficient budgetary allocations to promptly settle bills for electricity consumptions by the Borrower's entities and agencies; (e) tax the importation of heavy fuel products required by ENELGUI for power generation at the level referred to in Section 6.01 (f) of this Agreement and not modify it without prior consultation with the Association; and (f) provide ENELGUI with adequate funds in the form of equity contribution as required to offset the amount of taxes levied on goods and equipment to be acquired by ENELGUI for the execution 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 A and C of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account and the Disposition Fund 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, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and

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

ARTICLE V

Remedies of the Association

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

- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) ENELGUI shall have failed to perform any of its obligations under the Project Agreement.
- (c) 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 ENELGUI will be able to perform its obligations under the Project Agreement.
- (d) The statutes of ENELGUI shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ENELGUI to perform any of its obligations under the Project Agreement.
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ENELGUI or for the suspension of its operations.
- (f) The Borrower shall have failed by June 30, 1993 to:
 - (i) make satisfactory progress in the execution of the Program for purposes of improving the operation and management of ENELGUI; and
 - (ii) enact a revised regulatory framework satisfactory to the Association to govern the power sector.
- (g) The Borrower shall have entered into any arrangements for the acquisition of goods or services for Part B.2 of the Project unless the Borrower shall have made progress satisfactory to the Association in carrying out the Program.
- (h)
 - (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
 - (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 premature maturing 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 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a), (b), (d), or (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (h) (i) (B) of Section 5.01 of this Agreement shall occur subject to the proviso of paragraph (h) (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 Loan Agreement has been executed on behalf of the Borrower and ENELGUI;

(b) all conditions precedent to the effectiveness of the EIB Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(c) (i) the Disposition Fund has been established, (ii) an initial deposit of \$50,000 has been deposited therein, and (iii) an independent third party, acceptable to the Association, has been appointed to make final and binding decisions on withdrawals of the proceeds of the Disposition Fund in case of disagreement between BCRG and ENELGUI;

(d) substantive progress satisfactory to the Association, has been accomplished in the execution of the Program, i.e. (including issuance of invitations to bid for the selection of a private operator), (ii) adoption of an action plan to prepare the power sector regulatory and institutional framework, and (iii) evidence that 200 employees have been removed from ENELGUI's payroll;

(e) a new tax rate for imports of heavy fuel products required for power generation of ENELGUI has been set up at a level acceptable to the Association;

(f) ENELGUI has adopted a new tariff structure referred to in Section 3.04 (b) (i) of this Agreement; and

(g) a capital restructuring of ENELGUI, satisfactory to the Association, has been completed.

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 ENELGUI, and is legally binding upon ENELGUI in accordance with its terms; and

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

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

Section 6.04. The obligations of the Borrower under Section 3.04 (b), (c) and (d) of this Agreement and the provisions of paragraphs (d) and (e) of Section 5.01 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 25 years after the date of this Agreement, whichever shall be the earlier.

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 responsible for planning 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:

Ministry of Planning and Finance
B.P. 221
Conakry
Guinea

Telex:

22399 MIFIGE

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

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

REPUBLIC OF GUINEA

By /s/ Boubacar Barry
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Magdi Iskander
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) assist the Borrower's efforts to privatize ENELGUI; (b) streamline the regulatory framework for the power sector; (c) rehabilitate and expand the thermal generation capacity; and (d) rehabilitate the power distribution network.

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

Part A: Institutional Development and Streamlining of the Power Sector

1. Formulation and implementation of a strategy to privatize ENELGUI.
2. Strengthening MRNEE's capability for policy formulation, planning and monitoring of the execution of sectoral investments and training for relevant staff.
3. Strengthening ENELGUI's management and operations performance.
4. Streamlining the regulatory and institutional framework for the power sector.
5. Studies and preparation of a follow-up project.

Part B: Rehabilitation and Expansion of Power Plant and Distribution Network

1. Construction of new fuel unloading and storage facilities.
2. (a) Construction of a new power house (Tombo III) and installation therein of three new diesel generating units; and (b) acquisition of necessary equipment, and spare parts.
3. Rehabilitation of the Tombo I and Tombo II power plants and installation of an additional 5 MW diesel generating unit in the Tombo II power house.
4. Rehabilitation and expansion of the Conakry distribution network.
5. Training for ENELGUI's personnel in the fields of administrative and technical management.

Part C: Improvement of Regulations and Policies for Petroleum Products Distribution

1. Streamlining of the regulatory framework governing import and distribution of the petroleum products.
2. Monitoring of petroleum products distribution operations including, inter alia, general safety requirements, environment protection and product quality and quantity controls.
3. Training of relevant MRNEE staff in fields related to the monitoring of petroleum operations.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) (a) and (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 Parts A and B of 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.

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

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

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

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

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

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

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Arti-

cle 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 for Parts A and B of the Project, 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 Parts A and B of 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 for Parts A and B of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

