

CONFORMED COPY

CREDIT NUMBER 1980 STV

(Agricultural Rehabilitation and  
Diversification Project)

between

SAINT VINCENT AND THE GRENADINES

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 28, 1989

CREDIT NUMBER 1980 STV

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 28, 1989, between SAINT VINCENT AND THE GRENADINES (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 Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to one million, four hundred thousand dollars (\$1,400,000) (the Loan);

(C) the Borrower and the Association intend, to the extent

practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made; 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;

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. Wherever used in this Agreement, 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) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

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

(c) "Project Account" means the account referred to in Section 3.03 of this Agreement;

(d) "NCB" means the National Commercial Bank, a bank wholly owned by the Borrower, and established by the Companies Act, Chapter 219 of the Laws of St. Vincent, on June 1, 1977;

(e) "MTIA" means the Borrower's ministry in charge of agriculture;

(f) "MCW" means the Borrower's Ministry of Communications and Works;

(g) "MFP" means the Borrower's Ministry of Finance and Planning;

(h) "Estates" means the seven estates known as Cane Grove, Sans Souci, Colonarie, Grand Sable, Langley Park, Wallilabou and Richmond which are owned and run by the Borrower and are to be divested under the Project and "Estate" means any one of the Estates;

(i) "Project Area" means an area of about 4,690 acres comprising of the Estates;

(j) "Project Management Unit" means the unit to be established pursuant to Section 3.04 (a)(i) of this Agreement to administer and coordinate the Project;

(k) "Land Settlement Committee" means the committee to be established pursuant to Section 3.04 (a)(ii) of this Agreement to, inter alia, advise the Project Management Unit;

(l) "Project Director" means the person to be employed by the Borrower pursuant to Section 3.04(a) of this Agreement to head

the Project Management Unit;

(m) "Project Beneficiary" means a person who has been selected according to the Selection Criteria and Procedures to be granted land under Part A.2 of the Project;

(n) "Selection Criteria and Procedures" means the criteria and procedures referred to in Section 3.08(a) of this Agreement;

(o) "Fiscal Year" means the fiscal year of the Borrower which begins on July 1 of each calendar year; and

(p) "East Caribbean Dollars" and "EC\$" mean the currency 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 one million, one hundred thousand Special Drawing Rights (SDR 1,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made or, if the Association shall so agree, to be made in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in NCB 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 per cent (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 February 1 and August 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 February 1 and August 1 commencing February 1, 1999 and ending August 1, 2023. Each installment to and including the installment payable on August 1, 2008 shall be 1.25% of such principal amount, and each installment thereafter shall be 2.5% 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. The Director General of Finance and Planning in the Ministry of Finance and Planning of the Borrower is designated as representative of the Borrower for 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MFP, MTIA and MCW with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. The Borrower shall:

(a) establish and maintain for the duration of the Project in NCB a Project Account in East Caribbean Dollars on terms and conditions satisfactory to the Association;

(b) make payments out of the Project Account exclusively for expenditures required for the Project;

(c) deposit into the Project Account:

- (i) an initial deposit of EC\$200,000;
- (ii) at monthly intervals beginning the month following the establishment of the Project Account, an amount equal to the aggregate of payments made during the previous month for expenditures under the Project not financed from the Credit; and
- (iii) any additional amounts necessary to maintain a minimum balance in such account of EC\$200,000 or other amount acceptable to the Association.

Section 3.04. The Borrower shall, for the purposes of the Project:

(a) establish and thereafter maintain for the duration of the Project in a form satisfactory to the Association, including, without limitation, personnel having qualifications, experience and terms of reference satisfactory to the Association and the functions set forth in Paragraphs A and B of Schedule 4 to this Agreement:

- (i) a unit (the Project Management Unit) in MFP which shall administer and coordinate the Project; and
- (ii) a committee (the Land Settlement Committee) which shall advise the Project Management Unit on the selection of Project Beneficiaries and ensure that the Selection Criteria and Procedures are followed in the said selection; and

(b) employ a director (the Project Director) with qualifications and experience and under terms of reference all satisfactory to the Association, who shall head the said Unit.

Section 3.05. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required for purposes of Section 3.04 of this Agreement.

Section 3.06. (a) The Borrower and the Association shall, not later than June 30 in each year, exchange views on: (i) the progress achieved in carrying out the Project, and (ii) the Project work program for the following year.

(b) Without limitation to its obligations under Section 9.06 of the General Conditions, the Borrower shall, no later than May 31 in each Fiscal Year, beginning May 31, 1990, furnish to the Association for its review and comments a report in such detail and of such scope as the Association shall request, including:

- (i) an evaluation of progress achieved by MTIA and MCW in carrying out the Project during such Fiscal Year;
- (ii) a report on the performance of the Project Management Unit during such Fiscal Year; and
- (iii) a draft Project work program to be carried out by MTIA and MCW during the following Fiscal Year, including:
  - (A) a statement of objectives to be achieved and

of activities to be undertaken;

- (B) detailed investment and operating budgets;
- (C) detailed staffing, training and other technical assistance plans;
- (D) a financing plan indicating the source of funds for each activity or plan; and
- (E) a procurement program detailing goods and services to be procured.

Section 3.07. The Borrower shall:

(a) through MTIA, no later than June 30, 1989, employ consultants under terms and conditions acceptable to the Association to assist the Borrower in the implementation of Part A.1 of the Project; and

(b) through MCW, no later than June 30, 1990, employ a consultant under terms and conditions acceptable to the Association to supervise the implementation of Part B of the Project.

Section 3.08. The Borrower shall for purposes of Part A of the Project:

(a) through the Land Settlement Committee, no later than June 30, 1989, prepare and furnish to the Association criteria and procedures, satisfactory to the Association, to be followed in the implementation of the said Part of the Project and ensure that such criteria and procedures are followed in the said implementation;

(b) through MTIA, carry out the demarcation of plots and the determination of the sizes thereof taking into due consideration the suitability of land in the Project Area for sustainable cultivation;

(c) through the Project Management Unit, deliver to each Project Beneficiary a leasehold title subject to terms and conditions acceptable to the Association including, inter alia, a term of twenty years with an option to purchase after the first ten years;

(d) through MFP, set land rental charges to Project Beneficiaries at levels acceptable to the Association and sufficient to recover over a period of twenty years at least sixty percent (or such other percentage as may be agreed by the Association) of: (A) the costs of investment and equipment and vehicles financed in whole or in part from the proceeds of the Credit; (B) the maintenance costs of such equipment and vehicles; and (C) the costs of administration of the Project; and

(e) through MFP, adjust such land rental charges to achieve such cost recovery on at least an annual basis and review such charges with the Association prior to making any adjustments thereto.

Section 3.09. The Borrower shall, through MTIA, provide extension services satisfactory to the Association to the Project Beneficiaries, such services to include at least eight (8) agricultural extension staff.

Section 3.10. The Borrower, through MCW, shall provide road construction services for the development and maintenance of roads in the Project Area.

#### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, separate records and accounts, including the Project Account and the Special Account, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the execution of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each Fiscal Year, beginning with the Fiscal Year ending June 30, 1989, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, (a) certified copies of the financial statements for such year as so audited and (b) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

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

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

(b) the Project Management Unit and the Land Settlement Committee have both been established in compliance with Section

3.04 of this Agreement and the staff referred to in Paragraph A.1 of Schedule 4 to this Agreement have been employed and the members referred to in Paragraph B.1 of the said Schedule have been appointed; and

(c) the Project Account referred to in Section 3.03 of this Agreement has been established and the initial deposit referred to therein has been made.

Section 5.03. The date July 28, 1989 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.04. The obligations of the Borrower under Articles III and IV of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Ministry of Finance and Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance and Planning  
Kingstown  
St. Vincent and the Grenadines

Telex:

7531 FOREIGN V.Q.

Fascimile No:

809-45-72152 (SVG)

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:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

Facsimile No. :

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.

SAINT VINCENT AND THE GRENADINES

By /s/ James Pompey  
Authorized Representative



INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain  
Regional Vice President  
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit and of the Loan 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)	Amount of the Loan Allocated (Expressed in Dollars Equivalent)	% of Expenditures to be Financed
(1) Vehicles and Road Equipment required for Parts A and B of the Project	472,000	\$300,000	100%
(2) Office equipment and supplies; Road construction materials and extension demonstration materials	392,000	\$500,000	100% of foreign expenditures and 50% of local expenditures
(3) Consultants' services, including Services of Project Director	157,000	\$300,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollars Equivalent)	% of Expenditures to be Financed
(4) Training under Part C of the Project	79,000	\$300,000	100%
TOTAL	1,100,000	\$1,400,000	

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; and

(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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

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.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to promote growth and diversification of the Borrower's agricultural production and exports, improve income distribution, and promote more efficient use of underutilized and idle scarce land resources through divestiture of certain state lands, rehabilitation of roads serving such lands, and strengthening of MTIA.

The Project shall be carried out in the Project Area and 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: Divestiture of State Land

1. Surveying, mapping, and demarcation of plots
2. Selection of, and allocation of land to, Project Beneficiaries and preparation and delivery of leasehold titles to Project Beneficiaries.
3. Acquisition and utilization of survey equipment and vehicles and office equipment and supplies required to carry out the foregoing.
4. Provision of technical assistance for the carrying out of the foregoing.

#### Part B: Construction, Rehabilitation and Maintenance of Roads

1. Construction and rehabilitation of roads, including reduction of slopes, construction of masonry check dams and installation of fords.
2. Maintenance of roads.
3. Acquisition and utilization of equipment and materials required to carry out the foregoing.
4. Provision of technical assistance for the carrying out of the foregoing.

#### Part C: Strengthening of MTIA

1. Strengthening of MTIA's extension services and land administration capability through training of MTIA staff.
2. Acquisition and utilization of extension demonstration materials.

## SCHEDULE 3

### Procurement and Consultants' Services

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

Part A: International Competitive Bidding

1. Goods, equipment and vehicles required for Parts A and B of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Other Procurement Procedures

Office equipment and supplies required for Part A of the Project and materials for Parts B and C of the Project may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract items procured under Part A hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

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

SCHEDULE 4

A. The Project Management Unit

1. Staff

The Project Management Unit shall be composed of a director

(the Project Director) assisted by a minimum of 2 support staff.

## 2. Functions

The Project Management Unit shall administer and coordinate with MTIA and MCW the implementation of the Project and in particular and without limitation to the foregoing shall:

(a) carry out the selection of Project Beneficiaries in accordance with the Selection Criteria;

(b) prepare and deliver leasehold titles to Project Beneficiaries;

(c) coordinate preparation of the Project annual work programs referred to in Section 3.06 (b)(iii) of this Agreement, and ensure timely corrective action to deal with any deviations from such programs;

(d) coordinate preparation of the annual progress and audit reports referred to in Sections 3.06 (b)(i) and 4.01 of this Agreement and of project completion reports for submission to the Association in compliance with Section 9.06 (c) of the General Conditions; and

(e) identify implementation problems, if any, and take or cause to be taken appropriate measures to resolve or reduce such problems.

## B. The Land Settlement Committee

### 1. Members

The Land Settlement Committee shall be composed of: (i) the Director of Planning in the Office of the Prime Minister of the Borrower; (ii) the Permanent Secretary in MTIA; (iii) the Borrower's Chief Agricultural Officer; (iv) the Chief Surveyor; and (v) three other persons from the private sector including one from the farming community, all appointed by the Minister of Finance and Planning, one of whom shall be chairman of the Land Settlement Committee.

### 2. Functions

The Land Settlement Committee shall advise the Project Management Unit on the selection of Project Beneficiaries, and, without limitation to the foregoing, shall ensure that the Selection Criteria and Procedures are applied equitably and fairly in the said selection.

## SCHEDULE 5

### Special Account

#### 1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories set forth in the table in paragraph 1 of Schedule 1 to the Development Credit 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 or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account or Loan 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 or Loan Account and deposit in 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 or Loan 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 made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account or Loan 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 paragraph (a) of Section 2.02 of the Development Credit Agreement and Article V of the General Conditions applicable thereto or from the Loan Account in accordance with the provisions of paragraph (a) of Section of 2.02 of the Loan Agreement and Article V of the General Conditions applicable thereto;

(b) once the total unwithdrawn amount of the Credit or the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of \$400,000, twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account and the Loan Account of the remaining unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and

to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account or, if the Association shall so request, refund to the Association or the Bank 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 or the Bank such outstanding amount.

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

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

