

CONFORMED COPY

CREDIT NUMBER 2288 BU

(Water Supply Sector Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 1991

CREDIT NUMBER 2288 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 7, 1991, between REPUBLIC OF BURUNDI (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 21, 1991 from the Borrower describing a series of actions designed to achieve certain policy objectives in the Borrower's water supply sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the Kingdom of Belgium acting through its Agence Generale de Cooperation pour le Developpement (Belgium) a grant to assist in financing Part 1 of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Kingdom of Belgium;

(D) the Borrower intends to contract from the Federal Republic of Germany, acting through its executing agency Kreditanstalt für Wiederaufbau, a grant to assist in financing Part 1 of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Federal Republic of Germany;

(E) on July 7, 1989, the Borrower and the Regie de Production et de Distribution d'Eau, et d'Electricite (REGIDESO) entered into a performance contract (the Performance Contract) for the period 1989-1994 setting forth respective obligations for the Borrower and REGIDESO in the management of the electricity and water sub-sectors; 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. 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) "MDR" means Ministere du Developpement Rural, the Borrower's ministry in charge of rural development;

(b) "MEM" means Ministere de l'Energie et des Mines, the Borrower's ministry in charge of energy and mining;

(c) "DGHER" means Direction Generale de l'Hydraulique et des Energies Rurales, the directorate of water and rural energy in MDR;

(d) "REGIDESO" means Regie de Production et de Distribution d'Eau et d'Electricite, an enterprise wholly owned by the Borrower and created by the Borrower's Decree - Law No. 1/196 of October 2, 1968 and entrusted by the Borrower's Decree No. 100/12 of March 11, 1986 to, among other things, supply water in the urban centers of the Borrower's territory;

(e) "PAEMR Project Unit" means the unit established by the Borrower in DGHER pursuant to paragraph 1 of Schedule 4 to the development credit agreement dated October 11, 1985 between the Borrower and the Association for the Rural Water Supply Project and to be maintained by the Borrower pursuant to Section 3.03 (a) of this Agreement for the purposes of carrying out the Project;

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

(g) "Project Account" means the account referred to in Section 3.06 of this Agreement; and

(h) "Project Preparation Advance" means the advance granted by the Association to the Borrower pursuant to an exchange of letters dated February 8, 1991 and March 29, 1991 between the Borrower and the Association.

## ARTICLE II

## The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-four million two hundred thousand Special Drawing Rights (SDR 24,200,000).

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 the Project, open and maintain in dollars a special deposit account in a banking institution 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 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 January 15 and July 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 semiannual installments payable on each January 15 and July 15 commencing January 15, 2002 and ending July 15, 2031. Each installment to and including the installment payable on July 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. 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 MDR and MEM 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 the Project.

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

Section 3.03. The Borrower shall:

(a) for the purposes of carrying out the Project, maintain the PAEMR Project Unit in DGHER for the duration of the execution of the Project with staff, organization and functions satisfactory to the Association; and

(b) for the purposes of coordinating and supervising the execution of the Project, establish and cause to be convened at least once every three months during Project execution a committee, (the Steering Committee) comprised of representatives of MDR, MEM, DGHER and REGIDESO and chaired by a representative of MDR.

Section 3.04. (a) The Borrower and the Association shall, from time to time and in any case not later than November 30 in each year during Project implementation exchange views on the Borrower's public investment and current expenditure programs for its water supply sector, and DGHER's proposed budgets for the following fiscal year.

(b) Prior to each such exchange of views as specified in paragraph (a) of this Section, and in any case not later than October 31 in each year, the Borrower shall furnish to the Association: (i) a draft three-year public investment and current expenditure program for its water supply sector for the period commencing on the following January 1; and (ii) DGHER's draft budget for the following fiscal year.

Section 3.05. The Borrower shall, for the purposes of the Project:

(a) open and maintain in Francs Burundi (FBu) in the name of the PAEMR

Project Unit an account (the Project Account) in a bank acceptable to the Association on terms and conditions acceptable to the Association;

(b) deposit into the Project Account an initial amount in FBU equivalent to four hundred and fifty thousand dollars (\$450,000);

(c) thereafter deposit into the Project Account not later than March 31, June 30, September 30, and December 31 in each year during Project implementation, the amount necessary to replenish the Project Account to the initial amount referred to in the preceding sub-paragraph; and

(d) ensure that amounts deposited into the Project Account pursuant to paragraphs (b) and (c) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonably cost of goods and services for the Project and not financed or to be financed by the Credit.

Section 3.06. The Borrower shall ensure that:

(a) a communal water authority has been established in each commune before commencing any works under the Project in such commune; and

(b) each commune shall contribute, in labor or in cash, at least 5% of the total cost of any works performed in such commune, excluding the cost of pipe supply.

Section 3.07. Without limitation upon the provisions of Section 9.01 of the General Conditions, the Borrower and the Association shall, not later than December 31, 1994 jointly undertake a mid-term review of the progress achieved in carrying out the Project.

Section 3.08. The Borrower shall, by December 31, 1993, formalize the financial and institutional arrangements for rural water supply in a manner acceptable to the Association.

#### 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 the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof and, without prejudice to the foregoing, shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of DGH, including separate accounts for its water operations and separate accounts for its electricity operations.

(b) The Borrower shall:

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

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

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

- (a) of this
  - (i) maintain or cause to be maintained, in accordance with paragraph 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.

Section 4.02. The Borrower and the Association shall, from time to time, at the request of either party, but in any event by October 31 in each year, exchange views with regard to the Borrower's water pricing policies for urban tariffs and for rural charges and its plans in respect of the overall development of the water sector.

Section 4.03. The Borrower shall cause all charges for rural water supply to be set at levels sufficient to cover operation, maintenance and renewal costs.

Section 4.04. The Borrower shall cause all revenues from its water supply sector to be deposited into separate accounts and shall ensure that payments from such accounts shall be made solely for expenses related to water supply services.

Section 4.05. The Borrower shall ensure that the water accounts of communal water authorities shall be verified annually by controllers acceptable to the Borrower and the Association, and shall make the verification reports available to the Association for its review.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, that is that the implementation of the Program shall have been suspended or terminated or shall have materially deviated from such Program as defined in paragraph (B) of the Preamble to this Agreement.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. 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:

- (a) the Borrower has established the committee referred to in Section 3.03 (b) of this Agreement;
- (b) the Borrower has established the Project Account and deposited therein the initial amount referred to in Section 3.05 (b) of this Agreement;
- (c) the Borrower has appointed a project adviser, a specialist in community relations and a maintenance engineer, to assist the PAEMR Project Unit; and
- (d) the Borrower has furnished to the Association the audit reports for DGER's accounts for the fiscal years commencing January 1, 1989 and January 1, 1990.

Section 6.02. The date one hundred and eighty (180) 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 in charge of MDR of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministcre de Developpement Rural  
B.P. 2740  
Bujumbura, Burundi

Telex:

257224678

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 BURUNDI

By /s/ Julien Kavakure

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Katherine Marshall

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment:		100% of foreign expenditures and of local expenditures for items procured ex-factory and 80% of other local expenditures
(a) pipes for civil works in Karuzi and Kayanza	3,100,000	
(b) pipes for civil works in Gitega and Muramvya	1,800,000	
(c) equipment, excluding pipes, under Part 1 of the Project	300,000	
(2) Civil works:		90%
(a) under Part 1 of the Project in Karuzi and Kayanza	4,500,000	
(b) under Part 1 of the Project for Gitega and Muramvya and under Part 2 of the Project	3,800,000	
(3) Consultants' services and studies	3,500,000	100%
(4) Training	300,000	100%
(5) Operating costs	600,000	70% of expenses incurred up to December 31, 1993; 50% of expenses incurred in 1995; 30% of expenses incurred in 1997; 10% of expenses incurred in 1998 and thereafter
(6) Refunding of Project Preparation Advance	700,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	5,600,000	



TOTAL 24,200,000  
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2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means the operating costs of the PAEMR Project Unit in respect of rent and office maintenance, vehicle maintenance and fuel, local field travel, equipment maintenance and supplies and local personnel salaries.

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; and (b) payments made for expenditures under Category 1 (a) until and unless the Borrower has transferred ownership and control of all water systems located in rural areas to the appropriate communes, except in the cases agreed upon between the Borrower and the Association.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are: (a) to improve the living conditions of the population by improving the quantity and quality of potable water; (b) to implement a policy of cost recovery for water services in rural areas and in urban areas; (c) to increase local responsibility for maintaining water supply facilities; (d) to strengthen the institutions of the Borrower responsible for water supply; and (e) to develop and implement appropriate institutional arrangements in the water supply sector.

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

1. Construction of new rural water supply systems in the provinces of Ngozi, Muyinga, Karuzi, Kayanza, Cibitoke, Bubanza, Makamba, Gitega and Muramvya.

2. Development and protection of about 3,000 springs in the said nine provinces.

3. Institution Building:

(a) Strengthening including carrying out a reorganization study of DGHER, acquisition of equipment and staff training.

(b) Strengthening of PAEMR Project Unit, acquisition of equipment and staff training.

(c) Training of communal water board staff and of water supply attendants.

4. Carrying out a sensitization campaign aimed at the rural population on issues of water use and cost recovery.

5. Carrying out of studies for updating of urban water tariffs and development of a master plan for water supply in Bujumbura.

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The Project is expected to be completed by December 31, 1997.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

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

1. Except as provided in Part D hereof, goods and works 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).
2. Bidders for civil works shall be prequalified as provided in paragraph 2.10 of the Guidelines.

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

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Burundi may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

###### Part D: Other Procurement Procedures

1. Works, light vehicles and office equipment estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$800,000 in respect of light vehicles and office equipment and to \$700,000 in respect of works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Office equipment, furniture and supplies estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to \$250,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
3. Civil works under Part 2 of the Project up to an aggregate amount equivalent to \$1,600,000 shall be performed by UNICEF and by specialized and qualified Non-Government Organizations selected according to criteria acceptable to the Association.

###### Part E: Review by the Association of Procurement Decisions

###### 1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part 2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for works estimated to cost the equivalent of \$300,000 or more, and to each contract for equipment estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association

pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

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

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 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 Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

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



