

CONFORMED COPY

CREDIT NUMBER 2798 UG

Development Credit Agreement

(Private Sector Competitiveness Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 30, 1996

CREDIT NUMBER 2798 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 30, 1996, between THE REPUBLIC OF UGANDA (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 October 25, 1995 from the Borrower describing a program of actions, objectives and policies designed to implement a comprehensive private sector strategy (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Project;

(C) the Project will be carried out by the Private Sector Foundation (PSF) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PSF 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 PSF;

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 modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted.
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawal shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities or any imports of goods, if such payment or import, to the knowledge of the Association is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations".

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) "MFEP" means the Borrower's Ministry of Finance and Economic Planning;
- (b) "Special Account" means each of the accounts referred to in Section 2.02 (b) of this Agreement;
- (c) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and PSF pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;
- (d) "PSF" means Private Sector Foundation, a company limited by guarantee established and existing under the laws of the Borrower and its Memorandum and Articles of Association dated August 24, 1995;
- (e) "Memorandum and Articles of Association" mean the Memorandum and Articles of PSF, dated August 24, 1995;
- (f) "UIA" means the Uganda Investment Authority, established pursuant to Section 3.07 of the Borrower's Investment Code, 1991, Statute Number 1 of 1991;
- (g) "Project Implementation Plan" and "PIP" mean the comprehensive plan for the implementation of all components of the Project, referred to in paragraph 3 of Schedule 2 to the Project Agreement;
- (h) "PSC" means the Project Steering Committee to be established under paragraph 1 of Schedule 2 to the Project Agreement;
- (i) "Participating Equity Fund" means an equity fund meeting the eligibility criteria specified in Annex 2 to Schedule 2 to the Project Agreement in which PSF proposes to make, or has made, an investment financed, or to be financed, out of the proceeds of the Credit;
- (j) "Investment" means an investment made or proposed to be made by a Participating Equity Fund in an Investment

Enterprise out of the equivalent of part of the proceeds of the Credit made available to PSF under the Subsidiary Agreement;

(k) "Investment Enterprise" means an enterprise in which a Participating Equity Fund proposes to make, or has made, an Investment; and

(l) "UEF" means the Uganda Equity Facility to be established by PSF under Part C.1 of the Project.

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 eight million three hundred thousand Special Drawing Rights (SDR 8,300,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars three special deposit accounts (Special Account A for Part C.1 of the Project, Special Account B for Part B.1 of the Project, and Special Account C for Parts A, B.2, C.2 and D of the Project) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 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 March 1 and September 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 semiannual installments payable on each March 1 and September 1 commencing March 1, 2006 and ending September 1, 2035. Each installment to and including the installment payable on September 1, 2015 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. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause PSF to perform in accordance with the provisions of the Project Agreement all the obligations of PSF therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PSF to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation on the provisions of paragraph (a) above, the Borrower shall appoint and maintain a duly qualified liaison officer within MFEP in order to facilitate the coordination of cooperation between PSF and the Borrower in the implementation of the Project.

(c) The Borrower shall make the proceeds of the Credit

available to PSF, as a grant, under a subsidiary agreement to be entered into between the Borrower and PSF, under conditions which shall have been approved by the Association.

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

Section 3.02. Except as the Association shall otherwise agree, the procurement of 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 1 to the Project Agreement.

Section 3.03. The Borrower shall appoint two duly qualified and experienced representatives to serve as members of the PSC.

Section 3.04. The Borrower shall, within thirty months after the Effective Date, but in any event not later than December 31, 1998, carry out jointly with the Association and PSF, a comprehensive review of the Project, during which they shall exchange views generally on all matters relating to the progress made in the carrying out of the Project and the performance by the Borrower of its obligations under this Agreement including, but not limited to: (i) a review of the achievements of the Project, (ii) the implementation and management aspects of the Project, (iii) performance and use of technical assistance personnel, (iv) reporting, accounting and audit performance, (v) disbursement procedures, and (vi) the sustainability of the Project.

Section 3.05. For purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.06. 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) shall be carried out by PSF pursuant to Section 2.03 (a) of the Project Agreement.

ARTICLE IV

Financial Covenants

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

(i) maintain, or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has

received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts 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 the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

- (a) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) PSF 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 this Agreement, an extraordinary situation shall have arisen which shall make it improbable that PSF will be able to perform its obligations under the Project Agreement;
- (d) The Memorandum and Articles of Association of PSF shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PSF 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 PSF or for the suspension of its operations;

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

- (a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the

Association to the Borrower; and

(b) any event specified in paragraphs (d) or (e) of Section 5.01 of this Agreement shall occur.

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 Agreement has been duly executed by the Borrower and PSF;

(b) the Project Steering Committee has: (i) been established pursuant to paragraph 1 of Schedule 2 to the Project Agreement; and (ii) adopted the Project Implementation Plan referred to in paragraph 3 of Schedule 2 to the Project Agreement;

(c) the Borrower has appointed the liaison officer referred to in Section 3.01 (b) of this Agreement.

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

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

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Planning 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:

Ministry of Finance and Economic Planning
P.O. Box 8147
Kampala
Uganda

Cable address:	Telex:
FINSEC Kampala	61170

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.

THE REPUBLIC OF UGANDA

By /s/ Stephen K. Katenta-Apuli
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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) Goods and Services under Part C.1 of the Project	1,680,000	100% of foreign expenditures and 90% of local expenditures
(2) Vehicles, Equipment and Furniture for the Project excluding Part C.1 thereof	110,000	70%
(3) Consultants' Services under:		
(a) Part B.1 of the Project	2,010,000	50%
(b) Part D of the Project	1,040,000	100%
(c) the Project,		

excluding Parts B.1 and D thereof	2,110,000	100%
(4) Printing and advertising services	340,000	95%
(5) Operating Expenditures	730,000	95% in the years 1996 through 1998; and 75% thereafter
(6) Unallocated	280,000	
TOTAL	<u>8,300,000</u> =====	

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 expenditures" means expenditures incurred on account of the Project for rental of offices, utilities, Project staff salaries and allowances, office supplies, fees for legal and other professional services and the operation and maintenance of vehicles and equipment.

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;

(b) expenditures under Category (3) (b) unless the Association shall have been furnished with an institutional development plan of UIA, satisfactory to the Association, duly approved by the Borrower and the Board of UIA;

(c) expenditures for goods and services for an Investment under part C.1 of the Project unless the Investment has been made in accordance with the eligibility criteria and the terms and conditions set forth or referred to in Annex 2 to Schedule 2 to the Project Agreement;

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$100,000 equivalent, and consultancy contracts not exceeding \$100,000 equivalent for firms and \$50,000 equivalent for individuals under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to make the private sector in the territory of the Borrower more competitive so that it can expand sales in both domestic and international markets. To this end, the Project will: (a) assist in the improvement of the business and investment environment through a reduction in policy constraints, (b) strengthen institutions which support the private sector, (c) enhance the dialogue between the private and public sectors, and (d) provide equity financing

and support the injection of know-how.

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 objective:

Part A: Private Sector Foundation

Institutional strengthening of PSF's capability to promote private sector development through: (1) the provision of consultants' services and training and (2) the acquisition of vehicles, furniture and office equipment.

Part B: "Business Uganda" Development Scheme

1. Carrying out of a program to assist firms in the Borrower's territory to acquire know-how and achieve a higher rate of output growth through: (a) the provision of grants to finance business support services, including marketing, production and business planning; and (b) the provision of grants for technical assistance to firms that deliver business support services.

2. (a) Support for the management of the grant program referred to in Part B.1 above and (b) the provision of technical advisory services to assist individual firms in the selection of (i) the most suitable services, and (ii) the providers of such services.

Part C: Equity Financing

1. Establishment by PSF of an account to be referred to as the Uganda Equity Facility through which PSF shall make available equity capital to Participating Equity Funds investing in Investment Enterprises in the territory of the Borrower.

2. Improvement of the environment for equity investment through: (a) the provision of technical advisory services to increase the options available to investors to liquidate their minority shareholdings into cash through the establishment of a depository receipt scheme on a regional stock exchange; (b) the implementation of an education and promotion program on the merits of equity finance as a tool for corporate growth and development; and (c) technical assistance to undertake legal and regulatory reforms in private sector development and equity financing.

Part D: Investment Promotion and Facilitation

Promotion and facilitation services to foreign and local investors through: (1) informational publications, guides and meetings with potential investors; (2) the provision of practical assistance to investors; and (3) support for local enterprise development, advertising and public relations activities.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

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 this Agreement and listed hereunder:

(i) Category (1) with respect to Special Account A;

(ii) Category (3) (a) with respect to Special Account B; and

(iii) Categories (2), (3) (b), (3) (c), (4) and (5) with respect to Special Account C.

(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 the amounts of \$500,000, in respect of Special Account C, and \$300,000, in respect of Special Account A and Special Account B, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$150,000 in respect of Special Account A, an amount equivalent to \$250,000 in respect of Special Account B and an amount equivalent to \$150,000 in respect of Special Account C, until (i) in respect of Special Account A, the aggregate amount of withdrawals from the Credit Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 500,000, (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Credit Account allocated to Category (3) (a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 700,000, and in respect of Special Account C, the aggregate amount of withdrawals from the Credit Account allocated to Categories (2), (3) (b), (3) (c), (4), (5) and (6) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

