

CREDIT NUMBER 2106 GUI

Development Credit Agreement
(National Rural Infrastructure Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 30, 1990

CREDIT NUMBER 2106 GUI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 30, 1990, between REPUBLIC OF GUINEA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to contract from Kreditanstalt fur Wiederaufbau (KfW), an agency of the Federal Republic of Germany, a grant (the KfW Grant) in an amount equivalent to \$6,800,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the KfW Grant Agreement) to be entered into between the Borrower and KfW;

(C) the Borrower intends to contract from Fonds d'Aide et de Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to \$500,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) to be entered into between the Borrower and FAC;

(D) the Borrower intends to contract from United States Agency for International Development (USAID) a grant (the USAID Grant) in an amount of \$27,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) to be entered into between the Borrower and USAID; 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:

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

(b) "Project Preparation Advances" mean the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated June 13, 1988, August 4, 1988, November 2, 1988, November 21, 1988, June 19, 1989 and July 20, 1989 between the Borrower and the Association;

(c) "MARA" means the Ministry of Agriculture and Animal Resources of the Borrower;

(d) "DNGR" means the national directorate for rural engineering within MARA;

(e) "MTTP" means the Ministry of Transport and Public Works of the Borrower;

(f) "SNAPE" means the national rural water supply agency of the Borrower;

(g) "UME" means the mobile training unit, based in Mamou, for training in rural road maintenance and engineering;

(h) "SPTP" means a pilot public works company, for rural road maintenance and engineering; and

(i) "BTGR" means a technical bureau for rural engineering within MARA.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-one million three hundred thousand Special Drawing Rights (SDR 31,300,000).

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 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 a local commercial bank 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.

(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 Advances 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 Advances shall thereupon be cancelled,

Section 2.03. The Closing Date shall be December 31, 1995 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 and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 2000 and ending December 15, 2029. Each installment to and including the installment payable on December 15, 2009 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 DNGR and SNAPE with due diligence and efficiency and in conformity with appropriate rural, engineering, water supply and sanitation 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. (a) Without any limitation or restriction upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

- (i) open, on terms and conditions satisfactory to the Association, and thereafter maintain two Project Accounts in the name of DNGR and SNAPE, respectively, in the Central Bank of the Borrower for payment of expenditures for the Project, not financed out of the proceeds of the Credit, the KfW Grant, the FAC Grant or the USAID Grant; and
- (ii) shall make into said Project Accounts initial deposits of 200 million Guinean Francs for DNGR and 50 million Guinean Francs for SNAPE.

(b) In addition to said initial deposits, the Borrower shall replenish the Project Accounts quarterly in amounts estimated, on the basis of the budgets referred to in Section 3.04 (b) of this Agreement, to be necessary for the timely and efficient execution of Part B of the Project in the subsequent quarter.

Section 3.04. The Borrower shall cause DNGR and SNAPE to submit to the Association for review and comments:

(a) not later than June 30 and December 31 of each year the Project is carried out, progress reports on Project activities during the previous six-month period;

(b) not later than September 30 of each year the Project is carried out, budgets and work plans for their respective operations in the following calendar year, in a form and in such detail as shall be agreed upon between the Borrower and the Association.

Section 3.05. The Borrower shall:

(a) cause MTTP and MARA to cooperate in the construction and maintenance of the Borrower's feeder road network; and

(b) transfer the responsibility for construction and maintenance of said network progressively from MARA to MTTP.

Section 3.06. The Borrower shall, not later than June 30, 1990, prepare a plan for use of MARA's public works equipment, in order to determine which equipment shall be transferred to the UME and the SPTPs.

Section 3.07. The Borrower shall establish and thereafter maintain the following committees, with such membership and terms of references as shall be acceptable to the Association:

(a) a Project supervision committee; and

(b) not later than June 30, 1990, a coordinating committee at the national level and four multi-disciplinary teams at the regional level, to coordinate implementation of bottomlands development.

Section 3.08. The Borrower shall:

(a) not later than December 31, 1990, submit to the Association for

review and comment a draft manual of administrative procedures for DNGR's and SNAPE's financial and administrative units; and

(b) promptly thereafter finalize said manual and implement its regulations, taking into account the Associations comments thereon.

Section 3.09. The Borrower shall: (a) not later than December 31, 1990, prepare a national policy on contribution to the cost of road rehabilitation, and bottomland development by beneficiaries, which policy shall include evaluation criteria and minimum levels of such contribution; and

(b) promptly thereafter, collect said contribution from said beneficiaries at levels satisfactory to the Association.

Section 3.10. The Borrower shall:

(a) not later than June 30, 1991, prepare a national policy on contribution to the cost of handpumps for boreholes by beneficiaries of such pumps on the basis of a nationwide study on willingness and ability to pay for pumps; and

(b) promptly thereafter, collect said contribution from said beneficiaries at a level satisfactory 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.

(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:

- (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

Remedies of the Association

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

(a) subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of the FAC Grant, the USAID Grant or the KfW Grant, made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the FAC Grant Agreement, the USAID Grant Agreement or the KfW Grant Agreement.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) The FAC Grant Agreement shall have failed to become effective by June 30, 1990, or the KfW Grant Agreement shall have failed to become effective by September 30, 1990, or the USAID Grant Agreement shall have failed to become effective by December 31, 1990, or such later dates as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (a) of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Project Accounts referred to in Section 3.03 (a) (i) of this Agreement have been opened and the initial deposits referred to in Section 3.03 (a) (ii) of this Agreement have been made;

(b) the UME and the four BTGRs have been established as services rattaches of DNGR, all with such staff, personnel rules and terms of reference as shall be acceptable to the Association;

(c) the Borrower has established the Project supervision committee referred to in Section 3.07 (a) of this Agreement; and

(d) the Borrower has appointed to DNGR the staff set forth in Schedule 4 to this Agreement.

Section 6.02. 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for Economy and Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministere de l'Economie et des Finances
B.P. 579
Conakry
Republic of Guinea

Telex:

22399 MIFI

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS	82897 (FTCC)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	197688 (TRT)

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

REPUBLIC OF GUINEA

By /s/ Moussa Sangare

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
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(1) Civil works:		
(a) DNGR	6,800,000	100%
(b) SNAPE: boreholes	2,000,000	97%
(c) SNAPE: civil works other than boreholes	1,200,000	100%
(2) Vehicles, goods and equipment:		
(a) DNGR	3,900,000	100%
(b) SNAPE	400,000	100%
(3) Consultants' services and training	8,000,000	100%
(4) Incremental operating costs:		100% in the First Year; 80% in the Second Year; 60% in the Third Year; 40% in the Fourth Year; and 20% in the Fifth Year
(a) DNGR	2,600,000	
(b) SNAPE	300,000	
(5) Incremental road main- tenance costs	1,900,000	100% in the Second Year; 75% in the Third Year; 55% in the Fourth Year; and 35% in the Fifth Year
(6) Refunding of Project Prepara- tion Advances	1,100,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	3,100,000	
TOTAL	31,300,000	

2. For the purposes of this Schedule:

(a) the term "Incremental operating costs" means expenditures for DNGR's and SNAPE's current expenses, including DNGR's expenditures for UME, such as lubricants and fuel for vehicles, office rental and supplies, travel expenses and maintenance of buildings, vehicles and equipment, required for the Project;

(b) the term "Incremental road maintenance" means expenditures, including cost of equipment rental, to be incurred by DNGR and SPTPs for maintenance of the roads rehabilitated under the Project;

(c) "First Year", "Second Year", "Third Year" and "Fourth Year" mean the respective twelve-month periods during which the Project is carried out, starting on the Effective Date and the first, second and third anniversary of said Effective Date, respectively; and

(d) "Fifth Year", means the period after the Fourth Year during which the Project is carried out.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals

shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) under Category (5) before: (i) two SPTPs have been established with statutes and equipment acceptable to the Association; (ii) an equipment renting company acceptable to the Association has been established; and (iii) the Borrower has caused MTTP to sign agreements with the SPTPs on the execution of emergency road maintenance works under Part B.1 of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the rehabilitation and maintenance of feeder roads, development of bottomlands, provision of rural water and sanitation systems, programming of rural infrastructure activities and testing of new methods for the construction and maintenance of rural infrastructure.

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

Part A: Institutional Development

Strengthening of DNGR's feeder roads construction and maintenance capacity and of SNAPE's rural water supply capacity through the construction, renovation and equipping of their offices and facilities, provision of equipment, training of their staff and establishment of four BTGRs and two SPTPS.

Part B: Rural Infrastructure

1. Rehabilitation and subsequent maintenance of about 2500 km of feeder roads.
2. Development of about 2100 ha of bottomland.
3. Provision of water to about 140 villages through drilling of about 220 boreholes equipped with handpumps, and construction of two piped water supply and sanitation systems.

Part C: Studies and Pilot Programs

1. Preparation of a Feeder Roads Master Plan to serve as blue-print to implement further feeder roads investments.
2. Implementation of a Pilot Feeder Roads Program to develop labor-based methods for maintenance and rehabilitation of feeder roads, and to promote emergence of small-and medium-scale contractors.
3. Implementation of a pilot bottomland development program.
4. Studies and pilot actions to define a national strategy for rural water supply and sanitation (RWSS) development including an RWSS Master Plan for Guinea Forestiere, a nationwide study on the willingness and ability to pay for hand pumps, strengthening of SNAPE's RWSS extension and maintenance activities and a pilot sanitation program.

* * *

The Project is expected to be completed by June 30, 1995.

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. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$150,000 or more.
3. Contracts for borehole drilling shall include provision and installation of handpumps.

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 the Republic of Guinea 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. Goods and civil works for bottomland development and water supply, estimated to cost between the equivalents of \$50,000 and \$150,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,500,000, and civil works for renovation and construction of regional and prefectural offices estimated to cost more than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$800,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. The first twenty boreholes to be drilled under Part B.3 of the Project may be procured under contracts awarded on the basis of competitive bidding between local and foreign borehole contractors already active in the Republic of Guinea. Contracts for borehole drilling shall include provision and installation of hand-pumps.
3. Goods and civil works for bottomland development, water supply and renovation of regional and prefectural offices, estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of the 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 E: 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 for computer equipment and consultants' services, and each contract estimated to cost the equivalent of \$150,000 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 5 to this Agreement.

2. 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 financial, management, engineering and rural development 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

List of Key DNGR Staff

- Officer in charge of programming, monitoring and evaluation at the Service Technique d'Appui
- Counterpart to the expatriate training coordinator
- 4 Chiefs of BTGRs
- Chief of the UME
- Officer in charge of environmental aspects of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through 4 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 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; and (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 paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

