

CONFORMED COPY

CREDIT NUMBER 2868 KG

Development Credit Agreement

(Power and District Heating Rehabilitation Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 3, 1996

CREDIT NUMBER 2868 KG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 3, 1996, between KYRGYZ REPUBLIC (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 the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to thirty million dollars (\$30,000,000) to assist in financing Parts B (i), C (i), C (ii), C (iv) and C (vi) of the Project on the terms and conditions set forth in an agreement (the ADB Agreement) to be entered into between the Borrower and ADB;

(C) the Borrower intends to contract from the Danish International Development Agency (Danida) a credit (the Danida Credit) in an amount equivalent to eight million six hundred thousand dollars (\$8,600,000) to assist in financing Part B (iii) of the Project on the terms and conditions set forth in an agreement (the Danida Agreement) to be entered into between the Borrower and Danida;

(D) the Borrower intends to contract from the Nordic Development Fund (NDF) a credit (the NDF Credit) in an amount equivalent to six million eight hundred thousand dollars (\$6,800,000) to assist in financing Parts B (ii) and C (iii)

of the Project on the terms and conditions set forth in an agreement (the NDF Agreement) to be entered into between the Borrower and NDF;

(E) the Borrower intends to receive from the Swiss Government a grant (the Swiss Grant) in an amount equivalent to four million five hundred thousand dollars (\$4,500,000) to assist in financing Part C (v) of the Project on the terms and conditions set forth in an agreement (the Swiss Grant Agreement) to be entered into between the Borrower and the Swiss Government; and

(F) Parts A through D of the Project will be carried out by Kyrgyz National Energy Holding Company (KNEHC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to KNEHC part of the proceeds of the Credit as provided in this Agreement; and

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

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 (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 Borrower and the Association shall otherwise agree, no withdrawals shall be made: (i) on account of expenditures in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (ii) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, 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) "KNEHC" means the Kyrgyz National Energy Holding Company, a company whose Articles of Association were adopted by Governmental Decree No. 21, dated January 20, 1994;

(b) "PIU" means the Project Implementation Unit referred to in Part D (i) of Schedule 2 to this Agreement and Section 2.06 of the Project Agreement;

(c) "Project Agreement" means the agreement between the Association and KNEHC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(d) "SOM" means the currency of the Borrower;

(e) "Social Safety Net Action Plan" means the program referred to in Section 4.05 of this Agreement;

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

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

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 thirteen million six hundred thousand Special Drawing Rights (SDR13,600,000).

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 a special deposit account 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, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000 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 (60) 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 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 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 April 15 and October 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 April 15 and October 15 commencing October 15, 2006 and ending April 15, 2031. Each installment to and including the installment payable on April 15, 2016 shall be one and

one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) 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:

- (i) shall carry out Part E of the Project with due diligence and efficiency and in conformity with appropriate oil and gas industry practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause KNEHC to perform in accordance with the provisions of the Project Agreement all the obligations of KNEHC 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 KNEHC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend part of the proceeds of the Credit to KNEHC under a subsidiary loan agreement to be entered into between the Borrower and KNEHC, which shall have been approved by the Association and which shall include the following principal terms: (i) the principal amount to be repaid in SOM in amounts equivalent (determined as of the date or respective dates of repayment) to the value of currency or currencies withdrawn from the Credit Account or paid out of the Special Account on account of the cost of goods and services financed out of such proceeds for Parts A and D of the Project; (ii) interest on the principal amount thereof equivalent to the current Bank's lending rate, adjustable every six months; and (iii) the principal amount to be repaid over a period of no more than fifteen years, including a grace period

of no more than four years.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the respective Parts of 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. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall take all necessary measures to allow KNEHC's compliance with the provisions of Section 2.03 (b) of the Project Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and D of the Project shall be carried out by KNEHC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. 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 Part E of the Project of the departments or agencies of the Borrower responsible in carrying out said Part of the Project.

Section 4.02. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, 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 Section 4.01, and 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 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.

Section 4.03. By December 31, 1997, the Borrower shall carry out a program of actions agreed with the Association for energy conservation and efficiency, including recommendations on the use of high-efficiency household appliances and the introduction of regulatory measures to improve efficiency in existing and new buildings.

Section 4.04. The Borrower shall: (i) by December 31, 1996, complete a study on power and heat tariffs, under terms of reference satisfactory to the Association; (ii) immediately thereafter, review with the Association the recommendations of such study; and (iii) by July 1, 1997, set power and heat tariffs in accordance with such recommendations.

Section 4.05. The Borrower shall: (i) fund and implement the Social Safety Net Action Plan agreed with the Association; and (ii) by October 31 of each year, review with the Association the implementation of such Program.

Section 4.06. The Borrower shall: (i) by September 30, 1996, carry out a study of the organization of the power and heat sector; (ii) without delay thereafter, review with the Association the study recommendations and the implementation plan therefor; and (iii) without delay after such review, cause KNEHC to appoint the consultants, specified in Section 2.08 of the Project Agreement, to assist the Borrower and KNEHC in carrying out the implementation plan.

Section 4.07. The Borrower shall take all measures necessary on its part for KNEHC to comply with its obligations under Sections 4.04, 4.11, 4.12 and 4.13 of the Project Agreement.

Section 4.08. Starting from 1997, the Borrower shall ensure that power and heat bills owed to KNEHC by the public sector be settled, as an average among all bills, within 45 days of billing and, for each individual bill, within 90 days.

Section 4.09. The Borrower shall take all actions required on its part in order that the re-valuation of assets referred to in Section 4.07 of the Project Agreement, and the corresponding depreciation charges, be recognized for KNEHC's income tax purposes, starting from the fiscal year 1997.

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) KNEHC shall have failed to perform any of its obligations under the Project Agreement.
- (b) 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 KNEHC will be able to perform its obligations under the Project Agreement.
- (c) Governmental Decree No. 21 dated January 20, 1994, adopting KNEHC's Articles of Association, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of KNEHC to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of

KNEHC or for the suspension of its operations.

(e) The ADB Agreement, Danida Agreement, NDF Agreement or Swiss Grant Agreement shall have failed to become effective by December 31, 1996 or such later date 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.

- (f) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing thereof; or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the events specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the provision of paragraph (f) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and KNEHC.

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

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

(c) that the Borrower has enacted legislation, acceptable to the Association, for the energy and electricity sectors.

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

Representative of the Borrower; Addresses

Section 7.01 The Minister of Finance 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
Erkindik Boulevard, 58
Bishkek 720874
Kyrgyz Republic

Telex:

245169 ASKAR KH

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:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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.

KYRGYZ REPUBLIC

By /s/ Almas T. Chukin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yukon Huang

Acting Regional Vice President
Europe and Central Asia

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 under Part A of the Project	9,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expend- itures for other items procured locally
(2) Consultants' Services and Training		100%
(i) under Part D of the Project	2,370,000	
(ii) under Part E of the Project	270,000	
(3) Unallocated	1,560,000	
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TOTAL	13,600,000 =====	

2. For the purposes of this Schedule:

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

(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.

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) expenditures under Category 2 (ii), unless the Borrower has adopted legal measures, satisfactory to the Association, for petroleum exploration and development including fiscal provisions relating thereto.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve the power and district heating system efficiency and reliability; (ii) reduce power and heat losses; (iii) reduce the environmental impact of the power and heat facilities; (iv) rehabilitate the existing assets in the power and district heating system; (v) introduce appropriate financial management at KNEHC; (vi) restructure KNEHC along commercial lines; and (vii) attract private sector interest in petroleum exploration and production.

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: Power Plant Rehabilitation

Rehabilitation of the Bishkek combined heat-and-power plant (TES-1), by way of: (i) refurbishment of the seven most recent boilers; (ii) installation of turbogenerator-11; (iii) upgrading of the plant instrumentation and control systems and retrofitting of the essential auxiliary systems (coal supply, water make up, compressed air, electrostatic precipitators); (iv) installation of monitoring devices for emissions; and (v) provision for a metal testing laboratory and vibration monitoring equipment.

Part B: District Heating System Rehabilitation

Rehabilitation of the district heating system in Bishkek, by way of: (i) replacement of the most corroded sections of the system (about 12.5 km.), and of the damaged and poor insulation of the aerial sections of the system (about 7 km.); (ii) installation of frequency converters on selected pumps and retrofitting of the automatic control system; and (iii) adaptation of the substations to variable flow operations and installation of heat meters.

Part C: Rehabilitation and Upgrading of Transmission and Distribution Facilities

Rehabilitation and upgrading of transmission and distribution facilities by way of: (i) construction of a new 220/110 kV Ala Archa substation; (ii) extension and connection of the Chui substation at 220 kV; (iii) replacement of the 110-kV ground circuit breakers for twelve substations in Bishkek; (iv) upgrading and extension of the substations of Novo-Troitskaia, Orto-Alysh, Seleksionnaia and Sel'elektro; (v) construction of a new 220/110 kV Naryn substation; and (vi) provision of power metering equipment and tools.

Part D: Technical Assistance and Training

1. Provision of consultants' services and training to assist KNEHC in engineering, design, procurement and construction supervision, and the staffing and functioning of the PIU.

2. Provision of consultants' services and training to assist the Borrower and KNEHC in: (i) reforming the power sector for future private sector involvement; and (ii) developing appropriate organizational structures, and adopting commercial management practices, budget and control systems, reporting procedures and a management information system.

Part E: Petroleum Exploration Promotion

Provision of consultants' services and training to assist the Borrower in preparing petroleum data packages and executing a promotional program of the most promising Kyrgyz basins.

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account 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 SDR700,000.

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 deposit into the 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 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;

(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 Account;

(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 for Parts A, D and E of the Project, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A, D and E of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A, D and E of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

