

CONFORMED COPY

CREDIT NUMBER 2462 CHA

(Agricultural Support Services Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 18, 1993

CREDIT NUMBER 2462 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 18, 1993, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: 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; 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOA" means the Borrower's Ministry of Agriculture, and any successor thereto.

(b) "Project Implementation Agreements" means the agreements to be entered into by the Borrower with each of the Project Provinces in accordance with Section 3.02 (b) of this Agreement.

(c) "Project Provinces" means Beijing Municipality, Guangxi Zhuang Autonomous Region, Hebei Province, Heilongjiang Province, Henan Province, Hunan Province, Jiangsu Province, Jilin Province, Liaoning Province, Shaanxi Province, Shanghai Municipality and Sichuan Province, and "Project Province" means any of the Project Provinces.

(d) "Special Account" means the account referred to in Section 2.02 (b) of this 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 eighty-three million seven hundred thousand Special Drawing Rights (SDR 83,700,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 deposit account in a bank and 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 5 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 days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1 commencing August 1, 2003 and ending February 1, 2028. Each installment to and including the installment payable on February 1, 2013 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, shall carry out the Project through MOA and the Project Provinces, with due diligence and efficiency and in conformity with appropriate agricultural and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall onlend to portion of the proceeds of the Credit corresponding to the respective parts of the Project to each of the Project Provinces on the following principal terms and conditions: (i) repayment over a period not exceeding 20 years, including six years of grace; (ii) interest at a rate of four per cent per annum; and (iii) foreign exchange risk over the repayment period to be borne by the Project Province.

(b) To that end, the Borrower shall cause MOA and the Ministry of Finance to enter into a project implementation agreement with each Project Province, on terms and conditions satisfactory to the Association, under which:

(i) the Project Province shall carry out its respective parts of the Project with due diligence and efficiency and in conformity with appropriate agricultural and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required;

(ii) the Project Province shall establish and maintain the provincial level project management organizations as set out in paragraph A.1 of Schedule 4 to this Agreement; and

(iii) the proceeds of the Credit for the respective parts of the Project shall be made available to the Project Province on the terms and conditions set forth in paragraph (a) of this Section.

Section 3.03. 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.

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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to

whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that any party to one of the Project Implementation Agreements shall have failed to perform its obligations thereunder.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

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 Borrower's State Council has approved the Development Credit Agreement; and

(b) the Project Implementation Agreements shall have been entered into on behalf of the parties thereto.

Section 6.02. The following is specified as additional matter, 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, namely, that the Project Implementation Agreements have been duly authorized or ratified by all parties thereto, and are legally binding upon the parties in accordance with their respective 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 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
Sanlihe
Beijing 100820
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhao Xixin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

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	40,700,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 75% of local expenditures for other items procured locally
(2) Works	25,500,000	50%
(3) Consultants' services, training and study tours	16,000,000	100%

(4) Unallocated	1,500,000

TOTAL	83,700,000
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2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR3,500,000 may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after June 30, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in increasing agricultural production and farmers' incomes by strengthening the institutions that provide support services to farmers.

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: Agricultural Administration

Restructuring the organization of agro-technical extension and support services under MOA's Department of Agriculture, and Department of Animal Husbandry and Veterinary Services and improving MOA's management capability and agricultural information systems, through provision of consultants' services and local professional and language training and overseas training and study tours for senior MOA and provincial and other local government officials.

Part B: Agricultural Extension Services

1. Restructuring the organization of the agro-technical extension centers at the national level and at the provincial, prefectural, county and township level in the participating Project Provinces listed in Annex 1 to this Schedule, including:

(a) expansion and upgrading of agro-technical extension center facilities, establishment of national and local level service centers and provision of equipment, furnishings, computer hardware and software, and vehicles; and

(b) strengthening staff capabilities to carry out functions after reorganization, through a program of in-country staff training, overseas training and study tours.

2. Undertaking a pilot program to support the establishment or expansion of fertilizer blending plants under county-level agro-technical extension centers.

3. Undertaking a program of adaptive research projects and integrated pest management.

4. Supporting the extension activities of farmer associations through a study of farmer associations in China, a study tour and pilot projects for the delivery of extension services by such associations in China.

Part C: Seed Supply Services

1. Strengthening seed stations at the provincial, prefectural and municipal level and seed companies at the county level in the participating Project Provinces listed in Annex 1 to this Schedule, through provision of seed processing and packing equipment, construction of seed storage facilities, establishment and improvement of seed testing facilities.
2. Supporting the management and technical development of seed sector personnel through overseas and local training of staff and provision of consultants' services.
3. Undertaking a pilot program of commercialization of county level seed companies.

Part D: Livestock Services

1. Strengthening livestock field services at the national level and at the provincial, prefectural, county and township levels in the participating Project Provinces listed in Annex 1 to this Schedule, developing a network of animal husbandry and veterinary service centers and stations at each level and establishing a national center and a national veterinary diagnostic reference laboratory, through construction and equipping of facilities, provision of vehicles, equipment and materials, local and overseas training and study tours for staff and consultants' services.
2. Supporting the development of livestock production, by establishing a Specific Pathogen-free (SPF) Egg Production facility, a livestock-plant genetic resource center, a livestock products testing laboratory and a veterinary instrument testing laboratory, through construction and equipping of facilities and provision of local and overseas training and study tours and consultants' services.

Part E: Animal and Plant Quarantine Services

1. Modernizing the technical and management capabilities of the animal and plant quarantine services system and streamlining quarantine control procedures by:
 - (a) computerizing quarantine management and quarantine information systems and network;
 - (b) upgrading quarantine laboratories; and
 - (c) developing post-entry and pre-exit quarantine facilities, through construction and equipping of facilities and provision of local and overseas training and study tours and consultants' services.

Part F: Quality Control and Regulatory Services

1. Supporting the development of effective regulatory and monitoring services for fertilizers and pesticides, by upgrading and equipping the Institute for Control of Agrochemicals and ten provincial level institutes and upgrading national and provincial soil testing laboratories, and providing staff training and vehicles.
2. Establishing, constructing and equipping the following facilities for improved regulatory control of seed quality and livestock feed and drug, and providing vehicles and related staff training:
 - (a) provincial seed testing laboratories and provincial and prefectural level inspection facilities;
 - (b) upgrading of the National Control Institute for Veterinary Bioproducts and Pharmaceuticals and nine provincial centers;
 - (c) upgrading of the China National Center for Quality Supervision and Testing of Feed, and nine provincial centers; and
 - (d) a National Center for Quality Control of Veterinary Equipment and a National Center for Quality Control of Animal Husbandry Products.

* * *

The Project is expected to be completed by December 31, 1999.

Annex 1 to Schedule 2

Project Provinces

A. Project Provinces participating in Parts B and C of the Project

Beijing
Guangxi Zhuang
Hebei
Heilongjiang
Hunan
Jiangsu
Liaoning
Shaanxi
Shanghai
Sichuan

B. Project Provinces participating in Part D of the Project

Beijing
Guangxi Zhuang
Hebei
Heilongjiang
Henan
Hunan
Jilin
Shanghai
Sichuan

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

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 China 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: Other Procurement Procedures

1. Specialized laboratory and testing equipment up to an aggregate amount equivalent to \$5,300,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids

obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Items or groups of items estimated to cost the equivalent of less than \$200,000 per contract may be procured under contracts awarded on the basis of:

(a) competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, for equipment items, up to an aggregate amount equivalent to \$4,500,000; and

(b) comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, for office supplies, furniture and basic equipment, up to an aggregate amount equivalent to \$2,000,000.

3. Civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, except that works estimated to cost the equivalent of \$15,000 or less per contract, up to an aggregate amount equivalent to \$2,800,000, may be carried out by force account.

Part D: 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 goods estimated to cost the equivalent of \$200,000 or more and works estimated to cost the equivalent of \$500,000 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.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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 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

Implementation Program

A. Overall Project Implementation

1. The Borrower shall ensure that the Project Management Office and Project

Implementation Units in MOA and the provincial level Project Management Offices in the Project Provinces shall be maintained with functions and responsibilities acceptable to the Association, with competent staff in adequate numbers.

2. The Borrower shall ensure that local and overseas training and study tours, adaptive research and extension programs and consultants' services shall be provided in accordance with plans agreed with the Association, and, to that end, shall cause MOA's Project Management Office to prepare and furnish to the Association by September 30 of each year the proposed plans for all Parts of the Project for the next calendar year.

3. The Borrower shall undertake a review of the progress of and prospects for implementation of the Project with the Association by December 31, 1995.

4. The Borrower shall procure about 660 vehicles required for the Project in accordance with a plan acceptable to the Association and shall furnish a draft plan to the Association no later than July 1, 1993.

B. Implementation of the Parts of the Project

1. The Borrower shall cause agro-technical extension and support services under MOA's Department of Agriculture and the Department of Animal Husbandry and Veterinary Services, to be reorganized on the basis of an organizational structure agreed with the Association by June 30, 1994.

2. The Borrower shall cause the support for farmer associations under Part B.4 of the Project to be carried out under terms of reference and timing agreed with the Association.

3. The Borrower shall prepare and furnish to the Association by July 1, 1994 a pilot program for seed company commercialization under Part C.3 of the Project, and shall implement the program thereafter as agreed with the Association.

4. The Borrower shall cause MOA to prepare and furnish to the Association by December 31, 1993 a plan of action to ensure that China's quarantine procedures are consistent with best international practice, and shall implement the program thereafter as agreed with the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$5,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or

requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; 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.

