

CONFORMED COPY

CREDIT NUMBER 2285 BEN

(Agricultural Services Restructuring Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 12, 1991

CREDIT NUMBER 2285 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 12, 1991, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated May 31, 1991 from the Borrower describing a series of actions designed to achieve certain policy objectives in the Borrower's rural sector (the Program) and declaring the Borrower's commitment to the carrying out of the Program;

(B) 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;

(C) the Borrower intends to contract from various cofinanciers grants and credits in an aggregate amount equivalent to about \$12,000,000 to assist in financing the Project and the Program on terms and conditions acceptable to the Association;

(D) the Borrower will carry out the Project through MDRAC and with the assistance of Financial Intermediaries;

(E) the Borrower will make available to each Financial Intermediary a portion of the proceeds of the Credit allocated to Category (6) in Schedule 1 to this Agreement under an agreement satisfactory to the Association; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing,

to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MDRAC" means Ministcre du developpement rural pour le l'action cooperative, the Borrower's ministry in charge of rural development and cooperative actions;

(b) "CARDER" means Centre d'action regionale pour le developpement rural;

(c) "BCEAO" means Banque Centrale des Etats de l'Afrique de l'Ouest the common central bank of the Borrower and other members of the West African Monetary Union;

(d) "Management and Financing Agreement" means an agreement entered into by the Borrower and a Financial Intermediary pursuant to Section 3.01 (b) of this Agreement;

(e) "Financial Intermediary" means a financial intermediary (including a non-governmental organisation) which has been selected by the Borrower to participate in the Project in accordance with procedures, and financial, operational and technical criteria, satisfactory to the Association;

(f) "Reinsertion Project" means a specific project to be carried out by a Qualifying Beneficiary utilizing the proceeds of a Sub-loan;

(g) "Sub-loan" means a loan made or proposed to be made by a Financial Intermediary to a Qualifying Beneficiary for a Reinsertion Project out of the proceeds of the Credit made available to such Financial Intermediary under a Management and Financing Agreement;

(h) "Qualifying Beneficiary" means a person who having met eligibility criteria satisfactory to the Association is for that reason qualified to obtain Sub-loans under the Project;

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

(j) "Franc CFA" and "FCFA" mean Franc de la Communaute Financiere Africaine, the common currency of the Borrower and other members of the West African Monetary Union.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to nine million three hundred thousand Special Drawing Rights (SDR 9,300,000).

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 CFA Francs a special deposit account in BCEAO on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 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 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 May 1 and November 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 May 1 and November 1 commencing November 1, 2001 and ending May 1, 2031. Each installment to and including the installment payable on May 1, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the French Republic 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 MDRAC with due diligence and efficiency and in conformity with appropriate administrative and credit practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make available to each Financial Intermediary proceeds of the Credit allocated to Category (5) in Schedule 1 to this Agreement under an agreement (the Management and Financing Agreement) to be entered into between the Borrower and the Financial Intermediary on terms and conditions which shall have been approved by the Association. The Management and Financing Agreement shall include provisions requiring the Financial Intermediary concerned to: (i) select Qualifying Beneficiaries in accordance with eligibility criteria and procedures satisfactory to the Association; (ii) provide in each Sub-loan agreement that a Qualifying Beneficiary (A) pay on a Sub-loan annual interest which shall not be less than the prevailing interest charged for similar loans on the Benin open market, and (B) repay the principal of a Sub-loan in not more than 7 years (including not more than 18 months of grace); (iii) pay annual interest, in a case where the proceeds of the Credit are relent to such Financial Intermediary, at a rate equal to the prevailing market long term savings rate and on the same repayment period as under the respective Sub-loan agreements; (iv) prepare models of applications satisfactory to the Association to be used in the approval of projects presented by Qualifying Beneficiaries for financing under Sub-loans; and (v) require careful consideration of environmental concerns to be included in the terms of reference of any agricultural investments studies.

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

Section 3.03. The Borrower shall make arrangements acceptable to the Association to pay compensation to persons whose employment is terminated under the Program.

Section 3.04. The Borrower and the Association shall carry out a joint mid-term review of the progress achieved in carrying out the Project and the Program by June 30, 1992.

#### 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 a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower has taken actions satisfactory to the Association to commence the restructuring of MDRAC and the CARDERS;

(b) the Borrower has: (i) furnished to the Association a plan of action acceptable to the Association for monitoring performance under the Project; and (ii) selected an institution acceptable to the Association which will evaluate performance under the Project;

(c) the Borrower has employed consultants to assist MDRAC in the execution of Part H.1 of the Project and said consultants have assumed reported for duty in Benin;

(d) the Borrower has made arrangements acceptable to the Association to pay compensation due to persons whose employment will be terminated under the Program in 1991; and

(e) the Borrower has appointed external auditors acceptable to the Association to carry out the audits referred to in Section 4.01 (b) of 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

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower in charge of 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:

Ministcre du Plan, de l'Economie  
et des Finances  
P.O.Box 342  
Cotonou, Benin

Facsimile No.:  
30-16-60

Telex:  
51-18-MINIPLAN

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

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

REPUBLIC OF BENIN

By /s/ Candide Ahouansou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President  
Africa

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Parts A, D.1, E and F of the Project	1,500,000	100%
(2) Equipment and vehicles:		100%
(a) under Parts A and B.1 of the Project	1,800,000	
(b) under Parts D.1, E, G.1 and H.2 of the Project	600,000	

	(c) under Part F of the Project	300,000	
(3)	Technical Assistance under Parts G.1 and H.2 of the Project	380,000	100%
(4)	(a) Training under Parts C.1 and F of the Project	980,000	100%
	(b) Training under Part G.1 of the Project	80,000	
(5)	Credit:		100%
	(a) under Part G.1 of the Project	300,000	
	(b) under Part F of the Project	230,000	
(6)	Operation and Maintenance:		80% expendi- tures incurred up to December 31, 1992; 50% of expenditures incurred up to December 31, 1993; thereafter 20%
	(a) under Parts A, B.1, D.1, E, G.1 and H.2 of the Project	1,770,000	
	(b) under Part F of the Project	40,000	
(7)	Unallocated	1,320,000	
	TOTAL	9,300,000	

2. For the purposes of this Schedule, the term "Operation and Maintenance" means the costs incremental to the Project of office and vehicle maintenance and of supplies, fuel and travel, but excluding salaries, of the agencies of the Borrower involved in carrying out the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made for expenditures under Categories 2 (c), 5 (b) and 6 (b) until the Borrower has prepared a livestock health services action plan satisfactory to the Association; (c) payments made for expenditures under Categories (2) (a) and (4) (a) unless the Association shall be satisfied, after the exchange of views referred to in Section 3.04 of this Agreement, with the measures taken by the Borrower to restructure MDRAC and the CARDERS; and (d) payments made by a Financial Intermediary under an agreement for a Sub-loan unless a Management and Financing Agreement has been entered into by that Financial Intermediary and the Borrower on the terms and conditions set out in Section 3.01 (b) of this Agreement.

## Description of the Project

The objectives of the Project are to assist the Borrower in carrying out a program of rural development activities that adequately copes with the changing balance between supply and demand for agricultural products arising from Benin's increasing urbanization, the degradation of its natural resources and movements in international trade.

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: MDRAC

Completion of MDRAC's headquarters buildings and acquisition of office equipment, including data processing equipment, and vehicles for use by MDRAC.

### Part B: CARDERS

Rehabilitation of small buildings of the CARDERS and acquisition of vehicles and office equipment:

1. for the use of the Borgou and Zou CARDERS; and
2. for the use of the Atacora, Atlantique and Mono CARDERS.

### Part C: Training

Training of directors and other management staff, sector chiefs, operational training managers, subject-matter specialists, supervisors, and Agents Polyvalents de vulgarisation:

1. for MDRAC and the Borgou, Oueme and Zou CARDERS; and
2. for the Atacora, Atlantique and Mono CARDERS.

### Part D: Research and development

Carrying out of the following research and development activities in:

1. the Borgou, Oueme and Zou departments; and
2. the Atacora, Atlantique and Mono departments:

(a) Carrying out of farm level tests and research and of research on experimental sites in the farm environment.

(b) Construction of housing for researchers at the Ina Research Station and connection of the Niaouli Research Station to the electricity network; installation of pumping equipment and acquisition of livestock research equipment for the use of the above-named Research Stations.

(c) Strengthening of existing experimentation centers ("centres permanents d'experimentation or CPEs) in order to extend their research capabilities beyond cotton research; acquisition of mopeds, and of research equipment; and rehabilitation of CPE offices and stores.

(d) Strengthening of the Food Technology laboratory with research equipment, a pick-up truck, provision of outside service and analyses, and acquisition of technical documentation.

### Part E: Seed Production

Acquisition of equipment, including seed shelters and dryers, maize shelters, irrigation pumps and equipment for producing pre-base seed and one small truck; and training of seed farm staff with the assistance of consultants: for the Alafiarou farm in Borgou province; and for the Agbotagon farm in the Atlantique province.

### Part F: Livestock Services

1. Strengthening the Borrower's central and regional capacity and procedures for



surveillance and control of epizootics, veterinary public health, livestock and meat imports and exports, imports of veterinary pharmaceutical and livestock feeds and inspection of foodstuffs of animal origin.

2. Acquisition of equipment and vehicles for the Livestock Directorate.
3. Construction and equipping of a central laboratory for epidemiological diagnostic work and routine analyses.
4. Construction and equipping of quarantine and border veterinary posts.
5. Provision of financing in the form of Sub-loans to Qualifying Beneficiaries intending to carry out private veterinary practice.

Part G: Reinsertion of Redundant Personnel

A reinsertion program for:

1. the personnel of MDRAC and the Atlantique, Bourguou, Oueme and Zou CARDERS; and
2. the personnel of the Atacora and Mono CARDERS:
  - (a) training of former middle and higher level personnel, subject-matter specialists, repairmen and truckers in simple business management and marketing; and
  - (b) provision of financing in the form of Sub-loans to Qualifying Beneficiaries for Reinsertion Projects.

Part H: Project Management

Establishment of selection commissions and restructuring units in MDRAC and in each CARDER and a national committee and an appeals committee for the purposes of reorganizing MDRAC and the CARDERS and of carrying out Part G of the Project.

Part I: Studies

1. Studies necessary for the reorganization of MDRAC and the CARDERS.
2. Carrying out of studies on the strategy and programming of agricultural research in Benin, on the traditional cultivars of food crops, and preparation of an analytical and critical assessment of technical messages used in extension activities and on which national research is based and of their consistency with actual field conditions.
3. Further studies relating to the Project as agreed with the Association.

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The Project is expected to be completed by December 31, 1994.

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 and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Bidders shall be prequalified as provided in paragraph 2.10 of the Guidelines.
3. To the extent practicable, contracts 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 Benin 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. Items or groups of items for goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$600,000, may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of prequalification:

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

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

(a) With respect to each contract for computer equipment and to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (6) 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 FCFA

280,000,000 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; (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.

