

CONFORMED COPY

CREDIT NUMBER 2604 GH

Development Credit Agreement

(Community Water and Sanitation Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 1994

CREDIT NUMBER 2604 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 17, 1994, between REPUBLIC OF GHANA (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 has stated in a letter, dated January 12, 1994, its policies and objectives designed to implement its National Community Water and Sanitation Program (the Policy Letter);

(C) by agreement dated September 11, 1989 (the CIDA Grant Agreement), the Canadian International Development Agency (CIDA) has agreed to make a grant (the CIDA Grant) to the Borrower in an aggregate principal amount equivalent to Canadian \$27 million, a portion of which (equivalent to \$1.68 million) is to assist in financing the Project on the terms and conditions set forth in the CIDA Grant Agreement; and

(D) the Project will be carried out by Ghana Water and Sewerage Corporation (GWSC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GWSC 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 GWSC;

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) "c or cedis" means the currency of the Borrower;
- (b) "District Assembly" means a district assembly, established in accordance with Local Government Act 462 of 1993 of the laws of the Republic of Ghana;
- (c) "Facilities and Management Plan" means each facility and management plan prepared by a community with the assistance of a Partner Organization and approved by a District Assembly and on the recommendation of GWSC's Community Water and Sanitation Division, specifying the facilities to be constructed and the management and financing thereof by the community;
- (d) "Financing Agreement" means the agreement entered into between the Borrower and GWSC 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 Financing Agreement;
- (e) "GWSC" means the Ghana Water and Sewerage Corporation established by the Water and Sewerage Act of 1965 of the laws of the Borrower;
- (f) "Implementation Manual" means the manual relating to implementation of the Project, adopted by GWSC;
- (g) "Partner Organization" means a nongovernmental organization or other organization participating in the Project with the prior approval of the Association;
- (h) "Performance Contract" means each annual contract entered into by March 31 of each year between the Borrower and GWSC, as the same may be amended from time to time, and such term includes all schedules to each Performance Contract;
- (i) "Project Agreement" means the agreement between the Association and Ghana Water and Sewerage Corporation (GWSC), 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;
- (j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 27, 1993 and February 24, 1993 between the Borrower and the Association; and
- (k) "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 fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account (the Special Account) in the name of GWSC 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1999 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 semiannual installments payable on each February 1 and August 1, commencing August 1, 2004 and ending February 1, 2034. Each installment to and including the installment payable on February 1, 2014 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to

the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. GWSC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause GWSC to perform, in accordance with the provisions of the Project Agreement and, without limitation, each Performance Contract, all the obligations of GWSC therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GWSC 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 pass on the proceeds of the Credit to GWSC, under the Financing Agreement under such terms and conditions as shall have been approved by the Association, including, but not limited to, a provision to the following effect, namely, that GWSC shall carry out its obligations under the Financing Agreement with due diligence and efficiency, and shall promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by GWSC of its obligations arising under this Agreement, the Project Agreement, the Financing Agreement or each Performance Contract.

(c) The Borrower shall: (i) enter into, by March 31 in each fiscal year of the Project, a Performance Contract with GWSC for the carrying out of the Project in such fiscal year; and (ii) exercise its rights under the Financing Agreement and each Performance Contract in such a 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 Financing Agreement or any Performance Contract, or any provision thereof.

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 the Schedule to the Project Agreement.

Section 3.03. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall: (i) in each year of implementation of the Project, provide in its budget amounts sufficient to cover its counterpart contributions to the costs of the Project; (ii) open

and maintain in cedis in a commercial bank a project account (the Project Account) in the name of GWSC to be used exclusively for purposes of the Project; and (iii) deposit into the Project Account (A) an initial amount of c150,000,000 in accordance with the provisions of Section 6.01 (a), and (B) the remaining part of its counterpart contributions in each year of the Project, quarterly in advance, in the amounts determined by the Borrower and the Association.

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) shall be carried out by GWSC pursuant to Section 2.03 of the Project Agreement.

Section 3.05. The Borrower shall carry out, by no later than December 31 in each year, with GWSC and the Association, the annual review of the Project to assess progress and evaluate performance during the preceding year in accordance with Section 2.07 (b) of the Project Agreement.

Section 3.06. (a) The Borrower shall transmit to the Association, by no later than November 30, 1996, any preliminary comments it may have on the report prepared by GWSC in accordance with GWSC's obligation under Section 2.08 (a) of the Project Agreement.

(b) By no later than December 31, 1996, the Borrower shall carry out, jointly with the Association and GWSC, a midterm review of the progress made in carrying out the Project. This review shall evaluate and assess, amongst other things:

- (i) the overall progress of Project implementation with respect to the key monitoring indicators agreed with the Association;
- (ii) GWSC's ability and effectiveness as implementing agency and the performance of District Assemblies in carrying out the Project;
- (iii) the ability of communities to plan and manage their water supply facilities including each community's record of payment of capital and recurrent costs;
- (iv) the effectiveness of Partner Organizations in assisting communities in planning water supply systems and in providing training to communities to manage water supply systems and oversee construction of water and sanitation facilities; and
- (v) the impact and results of the sanitation and hygiene education programs carried out under the Project.

(c) Based on such review, the Borrower shall prepare, jointly with GWSC, an action plan, acceptable to the Association, for the further implementation of the Project.

Section 3.07. The Borrower shall implement its water sector action plan, as agreed between the Borrower and the Association, to improve the Borrower's overall water sector.

#### ARTICLE IV

##### Financial Covenants

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

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices,

bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special 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.

#### 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) GWSC shall have failed to perform any of its material obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that GWSC will be able to perform its obligations under the Project Agreement.

(c) A situation has arisen which shall make it improbable that the Policy Letter, or a significant part thereof, will be carried out.

(d) Water and Sewerage Act, 1965 of the laws of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GWSC to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GWSC or for the suspension of its operations.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the CIDA Grant for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof; or

(B) the CIDA Grant 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 the CIDA Grant 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.

(g) The Implementation Manual, or any provision thereof, shall have been altered, amended or disregarded without the prior consent of the Association.

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

(a) any event specified in paragraphs (a), (f) and (g) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Association to the Borrower; and

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

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower shall have established the Project Account referred to in Section 3.03 of this Agreement and shall have deposited therein c150,000,000; and

(b) auditors satisfactory to the Association have been appointed to audit the records and accounts referred to in Article IV of this Agreement and Article IV of the Project Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) the Project Agreement has been duly authorized or ratified by GWSC, and is legally binding upon GWSC in accordance with its terms; and

(b) the Financing Agreement has been duly authorized or ratified, as the case may be, by the Borrower and GWSC, and is legally binding upon the Borrower and GWSC in accordance with its terms.

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

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, 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  
P.O. Box M40  
Accra, Ghana

Cable address:

Telex:

ECONOMICON  
Accra

2205 MIFAEP

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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 GHANA

By /s/ Nana Effah-Appenteng

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<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed                              |
|--|---|---|
| (1) Civil works                              | 9,000,000   | 100% of foreign<br>expenditures and<br>75% of local<br>expenditures |
| (2) Goods and<br>equipment                   | 2,300,000   | 100% of foreign<br>expenditures and<br>75% of local<br>expenditures |
| (3) Training and<br>consultants'<br>services | 2,800,000   | 100% of foreign<br>expenditures and<br>90% of local<br>expenditures |
| (4) Operating                                | 700,000   | 75% of expen-   |



|   |                     |   |
|---|---------------------|---|
| costs   |                     | ditures until<br>June 30, 1997,<br>and 25% of<br>expenditures<br>thereafter |
| (5) Refunding of<br>Project<br>Preparation<br>Advance | 400,000             | Amounts due<br>pursuant to<br>Section 2.02 (c)<br>of this Agreement         |
| (6) Unallocated                                       | 700,000             |   |
|   | <hr/>               |   |
| TOTAL   | 15,900,000<br>===== |   |

2. For the purposes of this Schedule:

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

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

(c) the term "operating costs" means the expenditures incurred by GWSC for the purposes of carrying out the Project in respect of vehicle operation and maintenance, travel, office supplies and material and salaries of incremental staff hired by GWSC on a fixed-term contract basis.

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.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in the implementation of its proposed National Community Water and Sanitation Program. The Project will (a) provide basic water and sanitation services to communities, schools and health clinics; (b) ensure sustainability of these facilities through community management of maintenance, private sector provision of goods and services, and public sector promotion and support; and (c) maximize health benefits by integrating water, sanitation and hygiene education interventions.

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

Part A: Rural Water and Sanitation Facilities

1. Provision of water and sanitation facilities for rural communities, schools and health clinics by GWSC or District Assemblies, or both, as appropriate.

2. Provision of basic sanitation facilities for individual households by GWSC or District Assemblies, or both, as appropriate.

3. Provision of hygiene education to communities by Partner Organizations and district water and sanitation teams during the process of establishing community management.

Part B: Small Town Water and Sanitation Facilities

1. Provision of water and sanitation facilities for small towns, schools and health clinics by GWSC or District Assemblies, or both, as appropriate.
2. Provision of basic sanitation facilities for individual households by GWSC, by District Assemblies, or both, as appropriate.
3. Provision of hygiene education training to communities by Partner Organizations and district water and sanitation teams during the process of establishing community management.

Part C: Public and Private Sector Capacity Building

1. Provision of training and technical assistance to:
  - (a) GWSC's Community Water and Sanitation Division by specialists in rural water supply, community development, training and accounting;
  - (b) District Assemblies by GWSC's Community Water and Sanitation Division;
  - (c) Partner Organizations and hand-dug well contractors by a Small Business Development Unit under contract to GWSC's Community Water and Sanitation Division; and
  - (d) rural communities by Partner Organizations under contract to GWSC's Community Water and Sanitation Division or District Assemblies.
2. Provision of hygiene education training to school teachers by District Assemblies' water and sanitation teams and GWSC's Community Water and Sanitation Division.
3. Provision of technical and marketing training to local latrine artisans by District Assemblies' water and sanitation teams and GWSC's Community Water and Sanitation Division.
4. Refinement of training materials and methods for both rural communities and small towns as well as private sector participants.

\* \* \*

The project is expected to be completed by June 30, 1999.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:
  - (a) the term "Eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 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.

