

CONFORMED COPY

CREDIT NUMBER 1996 GH

(Private Small and Medium  
Enterprise Development Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 1, 1989

CREDIT NUMBER 1996 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 1, 1989, 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 Project will be carried out by the Bank of Ghana (BOG) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to BOG 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 BOG;

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 modifications set forth in Schedule 3 to this Agreement (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) "BOG" means the Bank of Ghana, established pursuant to the Bank of Ghana Act;

(b) "Project Agreement" means the agreement between the Association and BOG, 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;

(c) "Subsidiary Administration Agreement" means the agreement to be entered into between the Borrower and BOG 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 supplemental to the Subsidiary Administration Agreement;

(d) "Bank of Ghana Act" means the Bank of Ghana Act, 1963 (Act 182), as amended to the date of this Agreement;

(e) "Participation Agreement" means the agreement to be entered into between BOG and each Participating Financial Institution (as such term is hereinafter defined) pursuant to Section 2.02 of the Project Agreement for Parts A through D of the Project;

(f) "Sub-loan Agreement" means the agreement to be entered into by a Participating Financial Institution and a Beneficiary (as such term is hereinafter defined) under which a Participating Financial Institution agrees to provide a Sub-loan or an Investment for an Investment Project (as such terms are hereinafter defined);

(g) "SME" means a small and medium scale enterprise with total fixed assets (excluding land) plus cost of the Investment Project (hereinafter referred to as asset size of SME) not exceeding Cedis 500 million in constant 1988 prices;

(h) "SSE" means a small scale enterprise with total fixed assets (excluding land) plus cost of the Investment Project (hereinafter referred to as asset size of SSE) of more than Cedis 5 million but less than Cedis 25 million in constant 1988 prices;

(i) "Micro-enterprise" means an enterprise with total fixed assets (excluding land) plus cost of the Investment Project below Cedis 5 million in constant 1988 prices;

(j) "Beneficiary" means an SME, SSE or Micro-enterprise which is at least 51% owned by private individuals or private juridical persons and which operates in any economic sector (including manufacturing, agro-related industries, mining, quarry, industrial support services, equipment leasing, and other service activities ancillary thereto) other than agriculture, real estate and trading and which enters into a Sub-loan Agreement with Participating Financial Institutions for an Investment Project;

(k) "FUSMED" means the Fund for Small and Medium Enterprise Development, the unit established and maintained by BOG pursuant to Section 2.08 (a) of the Project Agreement;

(l) "Cedis" means the currency of the Borrower;

(m) "PFI" or "Participating Financial Institution" means each commercial bank, merchant bank, or any development bank or specialized financial institution which shall for the purpose of the Project, be designated by BOG as a Participating Financial Institution;

(n) "Sub-loan" means a loan, including lease financing, made or proposed to be made by a PFI to a Beneficiary for an Investment Project out of the equivalent of the proceeds of the Credit provided to it by BOG;

(o) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of Part A.1 (b) of Schedule 2 to the Project Agreement;

(p) "Investment" means an investment other than a Sub-loan, made or proposed to be made by a PFI in a Beneficiary for an Investment Project out of the equivalent of the proceeds of the Credit provided to the PFI by BOG;

(q) "Investment Project" means: (i) a new specific development project; and (ii) an expansion of an existing project, to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan or Investment;

(r) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement;

(s) "GIMPA" means the Ghana Institute of Management and Public Administration;

(t) "MGA" means a Mutualist Guarantee Association;

(u) "NBSSI" means the National Board for Small-Scale Industries;

(v) "WWBG" means the Women's World Banking Ghana Ltd.;

(w) "MDPI" means the Management Development and Productivity Institute;

(x) "CSIR" means the Council for Scientific and Industrial Research;

(y) "GEPC" means the Ghana Export Promotion Council; and

(z) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated February 9, 1988, and February 12, 1988, between the Borrower and the Association.

## 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 twenty-two million three hundred thousand Special Drawing Rights (SDR 22,300,000).

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: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) by BOG on account of withdrawals made by: (A) a Beneficiary under a Sub-loan or

Investment, or (B) a SSE or Micro-enterprise under a loan made under Part D of the Project to meet the reasonable cost of goods and services required for the Investment Project under Parts A through C of the Project or a study under Part D of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts E and F of 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 two special accounts in a commercial bank on terms and conditions satisfactory to the Association. One of the accounts (Special Account A) shall be used for Parts A through E of the Project and the other account (Special Account B) shall be used for Part F of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 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, 1996, or such later date as the Association shall establish. The Association shall promptly notify the Borrower and BOG 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 a 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; (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 as of 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 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 1999, and ending February 15, 2029. Each installment to and including the installment payable on February 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such

principal amount.

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

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

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

Section 2.09. BOG 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

#### Use of Proceeds of the Credit

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 this Agreement, shall cause BOG to perform in accordance with the provisions of the Project Agreement all the obligations of BOG therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BOG 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 make the proceeds of the Credit available to BOG under a subsidiary administration agreement (the Subsidiary Administration Agreement) to be entered into between the Borrower and BOG under terms and conditions which shall have been approved by the Association and which shall include that the Borrower bears the foreign exchange risk.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts E and F of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of

Schedule 3 to the Project Agreement.

Section 3.03. 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 BOG pursuant to Section 2.05 of the Project Agreement.

Section 3.04. (a) The Borrower shall continue to maintain the SME Policy Committee and Secretariat in a form and with functions satisfactory to the Association.

(b) The SME Policy Committee shall be headed by the PNDC Secretary for Finance and Economic Planning and shall include as members the PNDC Secretary of the Ministry of Industries, Science and Technology, and the Governor of BOG. The SME Policy Committee shall be responsible for reviewing policy recommendations made under the Project.

(c) The Secretariat of the SME Policy Committee shall be headed by a Deputy Governor of BOG and shall include as members representatives of the Ministry of Finance and Economic Planning, Ministry of Industries, Science and Technology, the Executive Director of NBSSI, the Director of the Development Finance Department of BOG, and the Manager of FUSMED. The Secretariat shall: (i) assist the SME Policy Committee in the exercise of its functions; and (ii) be responsible for: (A) monitoring the implementation of the Project, in particular the activities under Part F of the Project; (B) coordinating and reporting on all Project activities; and (C) formulating and recommending policy proposals to the SME Policy Committee.

#### 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 Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association; and
- (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 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) BOG shall have failed to perform any of its obligations under the Project Agreement.

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

(c) The Bank of Ghana Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of BOG or its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

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

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

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

(b) any event specified in paragraph (c) or (d) 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 this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Administration Agreement has been entered into by the Borrower and BOG pursuant to Section 3.01 (b) of this Agreement;

(b) BOG has submitted to the Association FUSMED's operational policies and procedures satisfactory to the Association;

(c) BOG has issued a circular to the banking system satisfactory to the Association, setting forth the conditions and procedures for the utilization of funds by PFIs under Parts A and B of the Project; and

(d) BOG has signed Participation Agreements for Parts A and/or B of the Project with at least two PFIs pursuant to Section 2.02 of the Project Agreement.

Section 6.02. The following are specified as additional mat-

ters within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

(b) that the Subsidiary Administration Agreement has been duly authorized, or ratified by, and is legally binding upon the Borrower and BOG 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 PNDC Secretary for Finance and Economic Planning 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:

PNDC Secretary for Finance and  
Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box M 40  
Accra, Ghana

Cable address:

ECONOMICON  
Accra

Telex:

2205 MIFAEP GH

Rapifax

667069

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:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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/ Eric K. Otoo



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) Sub-loans and Investments under Part A of the Project and Sub-loans under Part C of the Project:		100% of amounts disbursed for Sub-loans and Investments under Part A of the Project up to 70% of the total cost of the Investment Project, and 100% of amounts disbursed for Sub-loans under Part C of the Project
(a) with respect to SMEs	17,090,000)	
(b) with respect to SSEs and Micro-enterprises	1,490,000)	
(2) Sub-loans under Part B of the Project	1,860,000	100% of amounts disbursed up to 85% of the value of the leased equipment
(3) Pilot Studies under Part D of the Project	380,000	50%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) (a) Consultants' services and local and overseas training under Part E of the Project	460,000	100%
(b) Equipment and vehicles under Part E of the	80,000	100%

	Project		
(5)	(a) Consultants' services and training under Part F of the Project	520,000	100%
	(b) Equipment and vehicles under Part F of the Project	80,000	100%
(6)	Refunding of Project Preparation Advance	70,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	270,000	
	TOTAL	22,300,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of a Sub-loan or Investment unless the Sub-loan or Investment has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedules 1 and 2 to the Project Agreement;

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

(c) in respect of expenditures under Category (5) unless a small-scale industry expert has been employed by NBSSI in accordance with the provisions set forth in Section II of Schedule 3 to the Project Agreement;

(d) in respect of Sub-loans under Category (1)(b) relating to Part C of the Project, unless BOG has prepared and submitted to the Association a statement on procedures, satisfactory to the Association, for the implementation of the pilot mutualist credit guarantee scheme included in said Part of the Project; and

(e) in respect of expenditures under Category (3), unless BOG has issued a circular to the banking system, satisfactory to the Association, outlining the terms and conditions of, as well as the procedures for, the pilot studies fund.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to assist in financing such private productive activities, facilities and resources in the Republic of Ghana as will contribute to the economic and social development of the country; (b) to revive production and improve the economic viability of private small and medium scale enterprises and enable them to become more competitive; (c) to develop an effective mechanism to foster participation of PFIs providing long term financing to small and medium scale enterprises; (d) to support a program of assistance to micro-enterprises; (e) to improve the availability of technical assistance, extension services and entire entrepreneurial training for small scale enterprises and women entrepreneurs; and (f) to improve the policy and institutional support framework for SME development.

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: Line of Credit

Financing, through BOG and PFIs, of fixed investments, services and working capital needs of private sector small and medium scale enterprises.

Part B: Equipment Leasing

Financing, through BOG and PFIs, of equipment leases of private sector small and medium scale enterprises.

Part C: Pilot Mutualist Credit Guarantee Scheme

1. Establishment, through BOG, PFIs, and MGAs, of a Pilot Mutualist Credit Guarantee Scheme.

2. Provision of Sub-loans to eligible Micro-enterprise for financing fixed investments and working capital, such sub-loans to be guaranteed by MGAs.

Part D: Pilot Studies Fund

Establishment and operation by BOG of a Pilot Studies Fund to provide financing to SSEs and Micro-enterprises through the PFIs on loan terms to enable such SSEs and Micro-enterprises:

(a) to carry out pre-feasibility, feasibility and implementation studies; and

(b) to obtain expertise, services and management counselling for the acquisition of technological know-how.

Part E: Assistance to FUSMED

Strengthening of the technical and operational capabilities of FUSMED through the acquisition of office and computer equipment, software and vehicles and the provision of technical expertise and training in order to enable FUSMED to:

(a) promote and administer the lending schemes provided under the Project and other SME development programs;

(b) carry out orientation seminars for PFIs;

(c) train PFI staff in term financing, sub-project preparation, appraisal and supervision;

(d) develop policies and procedures for the pilot mutualist credit guarantee scheme, including identification of appropriate institutional participants; and

(e) carry out a study to develop the necessary policy framework and regulatory measures for equipment leasing.

Part F: Assistance to NBSSI, and other governmental and non-governmental organizations

Strengthening of the technical and advisory capabilities of the institutions referred to below through the acquisition of equipment, vehicles and the provision of technical expertise and training to carry out or coordinate the following activities:

1. NBSSI

(a) Establishment of pilot small entrepreneurship development advisory centers;

(b) continuation and evaluation of the Entrepreneurship Development Program;

(c) development and implementation of training programs for its staff in managerial and financial skills;

(d) improvements in its office facilities, maintenance of the SSE data base and marketing of services to SSEs;

(e) feasibility studies for, and subsequent establishment of, three business incubators and a pilot growth center/sites and services for SSEs; and

(f) an assessment of the regulatory and incentive environment for private sector development, including SSEs.

## 2. WWBG

(a) Organization of training workshops in basic business skills and project preparation and implementation;

(b) advice to businesswomen in preparing feasibility studies, obtaining licenses and credits, and solving operational problems;

(c) training of WWBG's staff in appraising, supervising and monitoring projects as well as developing linkages between the formal and informal financial sector;

(d) production and distribution of a quarterly newsletter; and

(e) establishment of a branch office in Kumasi.

## 3. MDPI and GIMPA

(a) Development and implementation of short-term training programs in small business promotion and management for various private associations and government institutions;

(b) training of the staff of MDPI and GIMPA in developing SME training programs; and

(c) preparation of curriculum, teaching and workshop materials.

## 4. CSIR and GEPC

(a) A study of technology development in Ghana; and

(b) A study of the feasibility of establishing a duty free zone for export promotion.

\* \* \*

The Project is expected to be completed by April 30, 1996.

### SCHEDULE 3

#### Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The following subparagraph is added to Section 2.01:

"15. The term 'Project Agreement' has the meaning set forth in paragraph (b) of Section 1.02 of the Development Credit Agreement."

(3) The words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such

amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in Part A.2 (c) of Schedule 2 to the Project Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

#### SCHEDULE 4

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) with respect to Special Account A Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) with respect to Special Account B Category (5).

(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, provided, however, that notwithstanding the provisions of Part A.1 (b) of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of Special Account A before the Association shall have authorized withdrawals from the Credit Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently ratify such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to: (i) \$2,000,000 for Special Account A; and (ii) \$200,000 for Special Account B 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 a 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 a 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 a 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 made 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 a 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 a 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 a 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 a 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.

