

CONFORMED COPY

CREDIT NUMBER 2472 BUR

Development Credit Agreement

(Private Sector Assistance Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 1993

CREDIT NUMBER 2472 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 15, 1993, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received from the Borrower a letter, dated February 10, 1993, coupled with a supplemental letter, dated February 19, 1993, describing a program of actions, objectives and policies designed to promote the development of the private sector in the Borrower's territory (hereinafter referred to as "the Program");

(B) the Borrower has declared its commitment to the execution of the Program, and has requested the Association to assist in the financing of the Project described in Schedule 2 to 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;

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) "BFCI" means Banque pour le Financement du Commerce et de l'Industrie;
- (b) "BNDB" means Banque Nationale de Developpement du Burkina;
- (c) "BICIA" means Banque Internationale pour le Commerce, l'Industrie et l'Agriculture;
- (d) "BRCB" means Bureau de Recouvrement des Creances du Burkina;
- (e) "CBC" means Conseil Burkinabe des Chargeurs;
- (f) "CCIA" means Chambre de Commerce de l'Industrie et de l'Artisanat;
- (g) "CCP" means Comptes Cheques Postaux;
- (h) "CFA Franc" or "CFAF" refers to the currency unit of the Borrower;
- (i) "CNE" means Caisse Nationale d'Epargne;
- (j) "MFP" means Ministere des Finances et du Plan;
- (k) "MICM" means Ministere de l'Industrie, du Commerce et des Mines;
- (l) "mid-term review" means the mid-term review referred to in paragraph 4 (a) of Schedule 4 to this Agreement;
- (m) "MJ" means Ministere de la Justice;
- (n) "ONAC" means Office National du Commerce Exterieur;
- (o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a first letter of agreement, dated June 5, 1992, as amended by a second letter of agreement, dated February 12, 1993, between the Borrower and the Association; and
- (p) "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 five million one hundred thousand Special Drawing Rights (SDR 5,100,000).

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 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 5 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, 1997 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 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, 2003 and ending February 15, 2033. Each installment to and including the installment payable on February 15, 2013 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 Parts A and B of the Project through MICM, Part C.1 through C.4 thereof through MFP, and Part C.5 thereof through MJ, with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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 events are specified:

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

(b) the Association has concluded, in the course of the mid-term review, that:

(i) the action plan referred to in paragraph 2 (a) (ii) of Schedule 4 to this Agreement, in respect of CCIA, has not been satisfactorily implemented; or

(ii) the Borrower has failed to achieve satisfactory progress in the achievement of all or any of the other monitorable objectives specified in paragraph 4 (a) of Schedule 4 to this Agreement.

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

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; or

(b) any event specified in paragraph (b) 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.

## 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 election of the first Assemblée Consulaire referred to under Part B.1 of the Project has been completed;

(b) the Borrower has issued letters of invitation in respect of the study referred to under Part B.2 of the Project;

(c) the Borrower has introduced appropriate legislation to confer effectively upon BRCB the same privileges with regard to debt recovery as those which apply to the tax services; and

(d) the Borrower has established an accounting system for the Project, which shall be acceptable to the Association, and has recruited independent auditors to

audit the Project accounts in accordance with the requirements of Section 4.01 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 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:

Ministere des Finances et du Plan  
B.P. 7050  
Ouagadougou  
Burkina Faso

Telex:

5555 SEGEGOUV

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.

BURKINA FASO

By /s/ Yara Thomas Kambou

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) Consultancy services and studies:		100%
(a) under Parts B.4 and B.5 of the Project	1,370,000	
(b) other	1,600,000	
(2) Training	110,000	100%
(3) Vehicles and equipment	500,000	100%
(4) Operating costs	400,000	85%
(5) Refunding of Project Preparation Advance	370,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	750,000	
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TOTAL	5,100,000 =====	

2. For the purposes of this Schedule, the term "operating costs" means the incremental operating costs arising under the Project on account of travel costs and allowances, office rent, supplies and utilities, maintenance of vehicles and fuel, and advertising and communications costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures under category (1) (a) of the table in paragraph 1 of this Schedule, unless (i) the action plan referred to in paragraph 2 (a) (ii) of Schedule 4 to this Agreement, in respect of CCIA, has been fully implemented; and (ii) proposals for the matching grant formula and other incidental arrangements under Part B.5 of the Project have been submitted to, and approved by, the Association.

SCHEDULE 2

Description of the Project

The objective of the Project is to help create an institutional environment capable of providing the support required to ensure sustainable growth of the private sector.

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: Assistance to MICM

1. Enhancing the capacity of MICM to respond to the requirements of the private sector, by strengthening the capacity of two newly-established guichets uniques responsible for external trade and establishment of new businesses, respectively.
2. Support for the implementation of the divestiture program, and the process of evaluation of enterprises which are due to be privatized.

Part B: Institutional Support

1. Commissioning of a study to prepare for the privatization of CCIA and, in particular, (i) to review the rules governing membership of CCIA, the composition of the Assemblée Consulaire and the election of its members, and the appointment of executive officers, and (ii) to revise the statutes of CCIA and prepare the election of the first Assemblée Consulaire.
2. Commissioning of a study designed to streamline the functions of CCIA, ONAC and CBC, by limiting such functions to those that are properly within the competence of such institutions and eliminating, in particular, those that belong to the central government; and, subject to the findings of such study, implementation of restructuring plans for CCIA and, if appropriate, for ONAC and CBC.
3. Commissioning of a study designed to rationalize the management of the infrastructures of CCIA and CBC.
4. Provision of short-term assistance to CCIA to enable it to (a) establish a data base to record all available local and foreign sources of assistance to improve private enterprise operations, help entrepreneurs carry out feasibility studies and, if need be, obtain financial support to create new enterprises, (b) strengthen its capacity to evaluate entrepreneurs' needs in terms of technical assistance, and (c) follow-up and assess the results of assistance received with its help by private entrepreneurs.
5. Provision of assistance on a matching-grant basis to private entrepreneurs.

Part C: Financial Sector

1. Strengthening the capacity of MFP to evaluate and negotiate investors' proposals to buy critical public enterprises and financial institutions, and provision of assistance to BCRB to strengthen its capacity for debt collection.
2. Updating by independent auditors of the audits of banks.
3. Commissioning of a study to prepare an action plan to convert the CCP/CNE into an independent financial institution operating within the postal system.
4. Commissioning of a study to identify appropriate conditions for the creation of new and viable long-term instruments for investment financing.
5. Commissioning of a study to review existing legislation and procedures relating to bad cheques and debt recovery, and make proposals with a view to streamlining such legislative provisions and procedures.

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The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods



Part A: Procurement Procedures

1. Equipment required under the Project, up to an aggregate amount equivalent to \$680,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of qualified suppliers acceptable to the Association and eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines) and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Items or groups of items required under category (4) of the table in paragraph 1 of Schedule 1 to this Agreement (Operating costs) may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

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

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Bank, and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

## Implementation Program

1. The Borrower shall make adequate annual budgetary allocations to finance the operations of the Privatization Commission with effect from June 30, 1994.
2. The Borrower shall:
  - (a) not later than June 30, 1994, submit to the Association for its approval:
    - (i) a proposed action plan, acceptable to the Association, for purposes of Part C.3 of the Project, and
    - (ii) proposed action plans, acceptable to the Association, for the restructuring of CCIA, and for the rationalization of the management of CCIA's and CBC's warehousing facilities; and
  - (b) have each of the action plans referred to in sub-paragraph (a) of this paragraph implemented in accordance with the timetable and other modalities set forth in such action plan and approved by the Association.
3. The Borrower shall submit to the Association for its review and comments, not later than June 30, 1994, the findings of the study referred to under Part C.4 of the Project.
4. (a) The Borrower and the Association shall jointly undertake, not later than June 30, 1995, a mid-term review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its obligations under this Agreement, including, but not limited to: (i) progress achieved in the implementation of Part A.1 of the Project; (ii) the number of public enterprises privatized or liquidated; (iii) the extent to which CCIA has been transformed to become genuinely representative of the private sector; (iv) the status of implementation of the study and restructuring plans referred to under Part B.2 of the Project, in respect of CCIA, ONAC and CBC; and (v) the extent of compliance by the Borrower with the accounting, auditing and procurement procedures specified under the Project.
  - (b) Not later than one month prior to the mid-term review, the Borrower shall furnish to the Association for review an independent consultant's report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the matters to be addressed at the mid-term review and referred to in sub-paragraph (a) of this paragraph.
  - (c) Following the mid-term review, the Borrower undertakes to act promptly and diligently, in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.
  - (d) Without limitation to the preceding sub-paragraphs (a), (b) and (c) of this paragraph, the Borrower shall, throughout the period of implementation of the Project, submit to the Association, (i) for its approval, not later than November 30 of each year, annual work programs, giving an assessment of the achievements of the Project for the preceding year, the additional objectives and criteria, if any, to be used for evaluation, and the implementation timetable for the forthcoming year, including a report on the execution of the budget for the past year and budget projections for the forthcoming year, and (ii) for its review and comments, bi-annual reports on the progress of implementation of the Project.
5. Notwithstanding any provision to the contrary under the Borrower's national laws, the Borrower shall, in respect of all goods and services to be financed under the Credit, confer upon MICM full powers to supervise the issue of letters of invitation and proceed to the evaluation and final award of all contracts, in

accordance with evaluation criteria and procedures acceptable to the Association.

6. The Borrower shall, not later than April 30, 1994, publish a list, acceptable to the Association, of all public enterprises to be privatized during the period of implementation of the Project.

#### SCHEDULE 5

##### 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 of CFAF 100,000,000 to be withdrawn from the Credit Account and deposited in 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 in 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 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.

