

CONFORMED COPY

CREDIT NUMBER 3287 BU

Development Credit Agreement

(Second Social Action Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 28, 1999

CREDIT NUMBER 3287 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 28, 1999, between REPUBLIC OF BURUNDI (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 Twitezimbere with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to Twitezimbere 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 Twitezimbere;

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 (as amended through December 2, 1997), (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) "Beneficiary" means any community determined to be eligible for a Subproject Grant (as hereinafter defined) in accordance with the eligibility criteria specified in Section II of Schedule 2 to the Project Agreement and in the MOP (as hereinafter defined) and to whom, or for whose benefit, a Subproject Grant is made or proposed to be made;

(b) "BRB" means Bank of the Republic of Burundi, the Borrower's central bank;

(c) "Convention" means the agreement to be entered into between the Borrower and Twitezimbere (as hereinafter defined) pursuant to Section 6.01 (e) of this Agreement, and such term includes all schedules and agreements supplemental to the Convention;

(d) "FBU" or "Franc Burundais" mean the currency of the Borrower;

(e) "Fiscal Year" means the Borrower's fiscal year, which runs from January 1 through December 31 of each calendar year;

(f) "Initial Deposit" means an amount in FBU equivalent to \$15,000 referred to in Section 3.04 (b) of this Agreement;

(g) "ISTEEBU" means l'Institut de Statistiques et d'Etudes Economiques du Burundi, the national statistical institute of the Borrower, established and operating under the Borrower's Decret No. 100/033, dated February 23, 1990;

(h) "Manual of Procedures" or "MOP" means the Twitezimbere MOP, referred to in Section I, paragraph 1 of Schedule 2 to the Project Agreement, containing, inter alia, work plans, monitoring and performance indicators and outlining the procurement, disbursement, administrative, financial, and other arrangements for the implementation of the Project, as the same may be amended from time to time in consultation with the Association, and such term includes any schedules to the MOP;

(i) "Midterm Review" means the midterm review referred to in paragraph (b) of Schedule 3 to this Agreement;

(j) "NGO" means a nongovernmental organization operating within the Borrower's territory;

(k) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(l) "Project Agreement" means the agreement between the Association and Twitezimbere 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;

(m) "Project Management Report" means each report prepared in accordance with Section 4.02 of the Project Agreement;

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

(o) "Statutes" means the statutes of Twitezimbere (as hereinafter defined), dated February 2, 1993, as amended to the date of this Agreement;

(p) "Subproject" means a specific development project financed or to be financed in part out of the proceeds of the Credit under Part A.1 of the Project;

(q) "Subproject Grant" means a grant made or proposed to be made by Twitezimbere to Beneficiaries for the purpose of financing a Subproject under Part A.1 of the Project; and

(r) "Subproject Grant Agreement" means an agreement between Twitezimbere and Beneficiaries setting forth the terms and conditions under which a Subproject Grant shall be made available to the Beneficiaries for the purpose of financing a Subproject under Part A.1 of the Project;

(s) "Twitezimbere" means the non-profit NGO, incorporated pursuant to the Borrower's Ordonnance Ministerielle No. 205.01/082/93, dated February 25, 1993; and "Fiscal and customs legislation" means the Code général des impôts et taxes (legislation mise à jour au 1er octobre 1996) and the Ordonnance No. 030/186 dated December 30, 1971 relating to the entry into force of Décret-Loi No. 1/158 dated November 12, 1971 modifying the customs legislation of the Borrower.

## 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 nine million Special Drawing Rights (SDR 9,000,000).

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) 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; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by Twitezimbere on account of withdrawals made for the benefit of any Beneficiary under Subproject Grant Agreements to meet the reasonable cost of goods, works, and services required for Subprojects under Part A.1 of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in BRB on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003, 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 semi-annually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c), and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15, commencing March 15, 2010 and ending September 15, 2039. Each installment to, and including the installment payable on, September 15, 2019 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Twitezimbere to perform in accordance with the provisions of the Project Agreement all of the obligations of Twitezimbere 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 Twitezimbere 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 Twitezimbere under the Convention, under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the Convention 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 Convention or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the works, 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 1 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 Twitezimbere pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) cause Twitezimbere to open and maintain in FBU an account (the Project Account), in a commercial bank, on terms and conditions satisfactory to the Association;

(b) promptly thereafter, deposit the Initial Deposit into such account to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account, on the first day of each calendar semester, until the completion of the Project, an amount equivalent to (i) \$15,000 for its Fiscal Year 2000; (ii) \$30,000 for its Fiscal Year 2001; and (iii) \$90,000 for its Fiscal Years 2002 and 2003, respectively; and

(d) use the Project Account funds exclusively to defray the cost of Project expenditures which are not financed out of the proceeds of the Credit.

#### 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 or Project Management Reports, the Borrower shall: (i) 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 was made, all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing such expenditures; (ii) 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 or Project Management Reports 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.

(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 (1) of the General Conditions, the following additional events are specified, namely that:

(a) Twitezimbere shall have failed to perform any its 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 Twitezimbere will be able to perform its obligations under the Project Agreement; and

(c) the Statutes or the Convention shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Twitezimbere to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) 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

(b) the event specified in paragraph (c) 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) Twitezimbere has adopted the MOP, in form and substance satisfactory to the Association;

(b) Twitezimbere has established an accounting and financial management system satisfactory to the Association;

(c) Twitezimbere has appointed the independent auditors referred to in Section 4.01 (b) of the Project Agreement, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement;

(d) the Project Account has been opened and the Initial Deposit referred to in Section 3.04 (b) of this Agreement has been deposited therein; and

(e) the Convention has been executed on behalf of the Borrower and Twitezimbere.

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

### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P.O. Box 1830  
Bujumbura  
Republic of Burundi

For the Association:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable address:

INDEVAS  
Washington, DC

Telex:

248423 (MCI) or  
64145 (MCI)

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 BURUNDI

By /s/ Thomas Ndikumana

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Acting 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:

Amount of the Credit Allocatrd (Expressed in	% of Expenditures
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Category	SDR Equivalent)	to be Financed'
(1) Civil works	4,750,000	100% of amounts disbursed
(2) Goods and vehicles	550,000	100%
(3) Consultants' services	1,550,000	100%
(4) Training	450,000	100%
(5) Operating costs 31, 2000; December 31, 2001; 40% thereafter	800,000	90% until December 80% until and
(6) Unallocated	900,000	
TOTAL	9,000,000	

2. For the purposes of this Schedule, the term "operating costs" means the incremental operating costs incurred on account of Project implementation, including office supplies and equipment, rental of office space, vehicle operation and maintenance, communication and travel costs related to the execution of the Project, but excluding salaries of members of the Borrower's civil service.

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) a Subproject Grant unless such Subproject Grant has been made in accordance with the criteria and procedures and under the terms and conditions set forth or referred to in Section II of Schedule 2 to the Project Agreement and in the MOP.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for (i) goods and works under contracts costing less than \$75,000 equivalent each; (ii) consultants' services (firms) under contracts not exceeding \$50,000 equivalent; and (iii) consultants' services (individuals) under contracts not exceeding \$20,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. With respect to the disbursements percentages established in the table set forth in paragraph 1 of this Schedule, it is understood that the said percentages have been calculated pursuant to the fiscal and customs legislation of the Borrower under the provisions of which works, goods and services required for the Project are exempted from any taxation or payment of customs duties in the territory of the Borrower. However, if, as a result of any modification to the provisions of the law referred to above, any works, goods, or services required for the Project become subject to taxation or to payment of customs duties in the territory of the Borrower, then the said percentages referred to under paragraph 1 above shall be decreased in accordance with the provision of Section 5.08 of the General Conditions.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower to (a) strengthen the capacities of local community groups to work together in selecting, implementing, financing, monitoring, and maintaining priority community services; and (b) alleviate poverty through the creation of employment opportunities and the improvement of social services.

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: Community Activities

1. Carrying out and monitoring of Subprojects for the construction and rehabilitation of social and economic infrastructure, early childhood development services, and other community activities submitted by Beneficiaries.
2. Design and implementation of a participatory approach for the selection, financing, carrying out, and maintenance of community activities;
3. Design and implementation of a communications program to strengthen Twitezimbere's capacity to communicate information about the Project to the public, through the provision of technical advisory services and training.
4. Assistance to local small entrepreneurs, civil servants in the relevant ministries and NGOs to improve their community activity skills, through the provision of training and technical advisory services.

Part B: Poverty Monitoring

Strengthening the capacity of ISTEERU and other statistical survey organizations in the Borrower's territory to undertake poverty monitoring and analysis activities through the provision of technical advisory services, training, and the acquisition of equipment.

Part C: Capacity Building

1. Strengthening Twitezimbere's capacity to implement, coordinate, supervise, and monitor the execution of the Project, through the provision of training of its personnel, studies, technical advisory services, and the acquisition of required logistical means.
2. Establishment of a monitoring and evaluation system to monitor overall Project implementation, as well as the implementation of the Subprojects, and the design of a program to overcome any constraints encountered during the implementation of the Project, through the provision of technical advisory services.

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The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Implementation Program

Performance Indicators and Midterm Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed upon between the Borrower and the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Association and Twitezimbere, not later than June 30, 2002, the Midterm Review. The Midterm Review shall cover, among other things: (i) progress made in meeting the Project's objectives; (ii) overall Project performance as measured against Project performance indicators; and (iii) performance by Twitezimbere of its obligations under the Project;

(c) at least three (3) weeks prior to the Midterm Review, furnish to the Association a report describing the status of the items listed in paragraph (a) above and of Project implementation generally; and

(d) not later than four (4) weeks after the Midterm Review, prepare an action

program acceptable to the Association for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 \$800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Condition shall be equal to or exceed the equivalent of SDR 1,500,000.

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 deposit into the Special Account of an amount or amounts 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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.

