

CONFORMED COPY

CREDIT NUMBER 2311 MAU

(Health and Population Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 2, 1992

CREDIT NUMBER 2311 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 2, 1992, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to contract from United Nations Children's Fund (UNICEF) a grant (the UNICEF Grant) in an amount of two million four hundred thousand dollars (\$2,400,000) to assist in financing part of the Project on the terms and conditions set forth in the Program of Cooperation (1993-97) to be entered into between the Borrower and UNICEF;

(C) the Borrower intends to contract from United Nations Fund for Population (UNFPA) a grant (the UNFPA Grant) in an amount of three million dollars (\$3,000,000) to assist in financing part of the Project on the terms and conditions set forth in the project agreements to be entered into in accordance with the Program of

Assistance of UNFPA to the Borrower for the period 1992-1996 (the UNFPA Project Agreements);

(D) the Borrower intends to contract from Bundesministerium für Wirtschaftliche Zusammenarbeit (BMZ) a grant (the BMZ Grant) in an amount equivalent to two million three hundred thousand dollars (\$2,300,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the BMZ Grant Agreement) to be entered into between the Borrower and BMZ;

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:

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

(b) "Ouguiya" or "UM" means the currency of the Borrower;

(c) "PCU" means the Project Coordinating Unit established by the Borrower on July 29, 1991 as a continuation of its Project Preparation Unit;

(d) "SEPF" means Secretariat Executif  
la Promotion  
Feminine;

(e) "MOHSA" means the Borrower's Ministry of Health and Social Affairs;

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a first exchange of letters, dated April 17, 1989 and May 8, 1989, and a second exchange of letters, dated January 16, 1991 and January 22, 1991, between the Borrower and the Association;

(g) "DHR" means Directorate of Human Resources in the Ministry of Planning; and

(h) "Drugs Account" means the account for the purchase of drugs, referred to in Section 3.04 (c) 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 eleven million eight hundred thousand Special Drawing Rights (SDR 11,800,000).

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 convertible Ouguiya (UM) 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 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 August 30, 1998 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 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 semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 2002 and ending October 1, 2031. Each installment to and including the installment payable on October 1, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such

installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOHSA, DHR and SEPF with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. The Borrower shall:

(a) implement the measures of recruitment, redeployment and training of the personnel of the MOHSA for the satisfaction of the needs of the health system of the country for the period 1992-96, as shall be agreed in writing between the Borrower and the Association;

(b) by February 28, 1995, submit to the Association, for comments the conclusions of the study on the evaluation of the cost recovery experience, and discuss the said conclusions with the Association within two months thereafter;

(c) by December 31, 1994, adopt a national population policy and an action plan for its implementation, satisfactory to the Association;

(d) fill the position of Director of the PCU at all times with a person whose qualifications and experience are satisfactory to the Association; and

(e) by April 30 of each year, beginning in 1993, organize a review meeting to be attended by staff of the PCU and representatives of implementing units in order to review: (i) the draft annual work program and budget for project activities to be undertaken during the next fiscal year, (ii) the draft recurrent budget for health for the next fiscal year, and (iii) a draft investment budget for the health sector for the coming three years. The final versions of the annual work program and budget for the project and the recurrent and investment budgets for health shall be satisfactory to the Association.

Section 3.04. Without limitation or restriction upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) increase the percentage share of its budget, allocated to MOHSA, to 5.5% in 1992 and by additional increments of 0.5% per year to reach 7.5% in 1996;

(b) maintain a separate budgetary chapter for drug and material budgets for health regions through the end of the Project, and ensure that budgetary allocations for the 13 regions combined total at least UM 60 million for drugs and UM 90 million for other material costs, at 1991 prices, through the end of 1996;

(c) by March 31 of each year, beginning in 1992, transfer to the Drugs Account, 50% of the annual budgetary allocation for drugs and by July 31 and September 30 of each year, transfer 25%, respectively, of the same annual allocation, and have the Drugs Account audited semiannually; and

(d) ensure that, for every purchase made out of funds from the Drugs Account, the procurement procedures agreed upon with the Association for the purchase of essential drugs, shall be used.

Section 3.05. (a) The Borrower and the Association shall, not later than April 30, 1995, undertake a mid-term review of the Project, during which they shall exchange views on matters relating to the progress of the Project and the performance by the Borrower of its obligations under this Agreement.

(b) Not later than one month prior to such review, the Borrower shall furnish to the Association, for its comments, a report on the progress and status of the Project, and in such detail as the Association shall reasonably request.

(c) Following the 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.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals

from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit 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;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts shall be audited on a semiannual basis by said auditors, who shall prepare audit reports accordingly and furnish them to the Association, not later than three (3) months after the end of such semiannual audit period, along with a separate opinion by said auditors as to whether the statements of expenditure submitted during such period, 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) Subject to paragraph (b) of this Section:
  - (i) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore, or
  - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur subject to the proviso of paragraph (b) of that Section.

#### 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) a ministerial instruction satisfactory to the Association, defining the structure and norms of the regional health system, the decree for the implementation of the communication concerning the primary health care and the cost recovery, adopted by the Council of Ministers on February 12, 1991, as well as its two instructions of implementation, have been adopted;

(b) a separate budgetary chapter for operational and drug budgets for health regions, has been created in MOHSA's 1992 budget, and the Borrower has ensured that budgetary allocations for the 13 regions combined total at least UM 60 million, at 1991 prices, for drugs and UM 90 million, at 1991 prices, for other operating costs;

(c) an account, called "Drugs Account", for the purchase of essential drugs and medical supplies, has been opened by the Borrower under conditions satisfactory to the Association, pursuant to Section 3.04 of this Agreement;

(d) a new organizational structure of MOHSA satisfactory to the Association, has been adopted;

(e) the document "Principal Elements of a National Population Policy" has been completed and transmitted to the Association for comments;

(f) an accounting system for the PCU, adapted to meet the specific requirements of the Project, has been established, and an independent auditor, acceptable to the Association for the auditing of the project accounts, has been selected; and

(g) a procurement specialist, having qualifications and experience acceptable to the Association, has been recruited to be responsible for procurement activities within the PCU.

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

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministcre du Plan  
B.P. 238  
Nouakchott  
Mauritania

Cable address:

MEF  
Nouakchott

Telex:

540 MTN

For the Association:

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

Cable address:

INDEVAS

Telex:

197688 (TRT),

Washington, D.C.

248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Amadou Mamadou Diaw  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	2,900,000	100%
(2) Vehicles, equip- ment and materials, furniture and drugs/ contraceptives	3,300,000	100%
(3) Specialist services, training/research	2,900,000	100%
(4) Operating costs	1,000,000	70%
(5) Refunding of Project Preparation Advance	600,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,100,000	
TOTAL	11,800,000 =====	

2. For the purposes of this Schedule, the term "Operating Costs" means the incremental costs arising under the Project on account of local staff allowances, maintenance of vehicles, fuel and equipment, and office rent, supplies and services.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expendi-



tures prior to the date of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) develop the Borrower's regional health service system; (ii) strengthen capacity at the central level to support regional health services; (iii) define a national population policy and action program; and (iv) promote the status of women.

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: Health

##### 1. Developing the regional health service system, including:

(a) development of training programs for regional health personnel;

(b) development of a maintenance system for vehicles, equipment and infrastructure;

(c) strengthening of financial management at the regional level;

(d) assistance for health services in the regions of Brakna, Hodh el Gharbi and Nouakchott.

##### 2. Strengthening MOHSA's capacity to support regional level activities and to plan and manage system-wide resource use including:

(a) strengthening technical capacity in three programs of special emphasis: family planning, health education, and nutrition; and

(b) improvement of management systems for personnel and financial resources and of the health information system.

#### Part B: Population

##### 1. Formulation of a national population policy, and development of an action plan for its implementation.

##### 2. Carrying out a program to increase opportunities for women's participation in its economic and social development programs, including:

(a) strengthening the planning, monitoring and mobilization capacities of the SEPF, including the development of a national Women in Development strategy and action plan; and

(b) extending successful ongoing action programs geared towards increasing women's functional literacy and improving women's income earning capacity by strengthening women's pre-cooperatives.

\* \* \*

The Project is expected to be completed by February 28, 1998.

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for civil works, and for the purchase of vehicles, equipment and materials, and drugs and contraceptives under Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement, shall be grouped in bid packages estimated to cost the equivalent of \$200,000 or more each.

3. The procedures governing the purchase of essential drugs and medical supplies, and agreed upon pursuant to Section 3.04 (d) of this Agreement, apply equally, to the extent applicable, to contracts for the purchase of essential drugs under Category (2) of the table in paragraph 1 of Schedule 1 to this Agreement.

#### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Mauritania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

#### Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

#### Part D: Other Procurement Procedures

1. (a) Contracts for: (i) goods (other than drugs) estimated to cost less than US\$200,000 equivalent each, provided that the aggregate of such procurement does not exceed \$1.1 million, and (ii) small size civil works for rehabilitation/improvement, provided that the aggregate of such procurement does not exceed \$0.8 million, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Small contracts (including spare parts and office supplies) which cannot be grouped into bid packages of at least \$30,000 equivalent would be procured on the basis of price quotations from at least three suppliers, provided that the aggregate of such procurement does not exceed \$0.3 million equivalent.

#### Part E: Review by the Association of Procurement Decisions

##### 1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.3 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

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

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

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

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

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project described in Schedule 2 to this Agreement, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$400,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such

intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

