

CONFORMED COPY

CREDIT NUMBER 3131 LA

Development Credit Agreement

(Provincial Infrastructure Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1998

CREDIT NUMBER 3131 LA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1998, between LAO PEOPLE'S DEMOCRATIC REPUBLIC (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;

WHEREAS: (B) Part A of the Project will be carried out by the Borrower's Province of Oudomxay ("Oudomxay") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Oudomxay a portion of the proceeds of the Credit as provided in this Agreement;

WHEREAS: (C) Part B of the Project will be carried out by the Borrower's Province of Phongsaly ("Phongsaly") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Phongsaly a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS: (D) 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 each of Oudomxay and Phongsaly.

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, wherever used in this Agreement, have the following meanings:

(a) "Affected Person" means a person who, on account of the implementation of the Project, has or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected, and the term "Affected Persons" means, collectively, more than one Affected Person;

(b) "BCEL" means the Borrower's Banque du Commerce Extérieur Lao;

(c) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means more than one Category;

(d) "Financial Management Plan" means the time-bound action plan for the management and monitoring of Project financial records and accounts, adopted by the Borrower pursuant to Decision No. 1208/MOF dated August 25, 1998, and satisfactory to the Association, to be carried out by Oudomxay and Phongsaly in accordance with the provisions of Section 6 of the Implementation Program, as such Plan may be amended from time to time in agreement with the Association;

(e) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Borrower's, Oudomxay's and Phongsaly's financial years, which period commences on October 1 and ends on September 30 in each calendar year, and the term "Fiscal Years" means, collectively, more than one Fiscal Year;

(f) "Implementation Program" means the program for implementing the Project as set forth in Schedule 2 to the Project Agreement;

(g) "MCTPC" means the Borrower's Ministry of Communication, Transport, Post and Construction, and such term includes any successor thereto;

(h) "MOF" means the Borrower's Ministry of Finance, and such term includes any successor thereto;

(i) "MOPH" means the Borrower's Ministry of Public Health, and such term includes any successor thereto;

(j) "Nampapa Lao" means the Borrower's National Water Supply Enterprise, established and operating under the MCTPC pursuant to Decree No. 021/CBLC of the Borrower's Central Business Leading Committee, dated February 18, 1987, and charged with the responsibility of developing and operating the Borrower's urban water supply, and such term includes any successor thereto;

(k) "Namsaat" means the Borrower's Institute of Clean Water, established within MOPH, and such term includes any successor thereto;

(l) "Oudomxay" means the Borrower's Province of Oudomxay, an administrative sub-division of the Borrower, and such term includes any successor thereto;

(m) "Oudomxay-PIUs" means the Project implementation units established by Oudomxay, pursuant to the Oudomxay Governor's Decision No. 311/OG, dated June 12, 1998, and to be maintained in accordance with the provisions of Section 1 of the Implementation Program;

(n) "Phongsaly" means the Borrower's Province of Phongsaly, an administrative

sub-division of the Borrower, and such term includes any successor thereto;

(o) "Phongsaly-PIUs" means the Project implementation units established by Phongsaly, pursuant to the Phongsaly Governor's Decision No. 260/OG, dated May 13, 1998, and to be maintained in accordance with the provisions of Section 2 of the Implementation Program;

(p) "Plan for Land Acquisition, Compensation and Resettlement" means the Plan for the acquisition of land and provision of compensation to Affected Persons adopted by the Borrower, pursuant to Decision No. 1209/MOF dated August 25, 1998, and acceptable to the Association, to be carried out by Oudomxay and Phongsaly in accordance with the provisions of Section 3 of the Implementation Program, as such Plan may be amended from time to time in agreement with the Association;

(q) "Project Agreement" means the agreement between the Association and each of Oudomxay and Phongsaly, 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; and

(r) "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 this Agreement, an amount in various currencies equivalent to twenty million seven hundred thousand Special Drawing Rights (SDR 20,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States Dollars a separate special deposit account in BCEL on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 2006, 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 (60) 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 semiannually on May 15 and November 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 semiannual installments payable on each May 15 and November 15, commencing November 15, 2008 and ending May 15, 2038. Each installment to and including the installment payable on May 15, 2018 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 seven hundred ninety dollars (\$790) in constant 1985 dollars for five (5) 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.

(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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall: (i) cause Oudomxay to perform in accordance with the provisions of the Project Agreement all of the obligations of Oudomxay therein set forth in respect of Part A of the Project; and (ii) cause Phongsaly to perform in accordance with the provisions of the Project Agreement all of the obligations of Phongsaly therein set forth in respect of Part B of the Project; all with due diligence and efficiency and in conformity with appropriate administrative, construction, financial, engineering, environmental and public utility practices. The Borrower shall take, or cause to be taken, all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Oudomxay and Phongsaly to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

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 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) in respect of Part A of the Project shall be carried out by Oudomxay and in respect of Part B of the Project shall be carried out by Phongsaly, all pursuant to Section 2.02 of the Project Agreement.

Section 3.04. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by December 31, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and separate 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 (including MOF) 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 (6) 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; 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.

Section 4.02. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

(i) maintain, in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made; and

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

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Oudomxay or Phongsaly shall have failed to perform any of its respective obligations under the Project Agreement.

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have entered into the necessary agreements, acceptable to the Association and in accordance with the provisions of Section II of Schedule 1 to the Project Agreement, with a duly qualified consultancy firm for the provision of technical assistance services in respect of Parts A (1), A (2), A (3), B (1), B (2) and B (4) of the Project.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Project Agreement has been duly authorized or ratified by each of Oudomxay and Phongsaly, and is legally binding upon each of Oudomxay and Phongsaly 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 Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
Post Office Box No. 46
Vientiane
Lao People's Democratic Republic

Cable address:	Telex:
MINFINANCE	4369
VIENTIANE	MOF LS

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (MCI) or
Washington, D.C.	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.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By /s/ Vanvang Rattnavong

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ngozi Okonjo-Iweala

Acting Regional Vice President
East Asia and Pacific

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	12,170,000	90%

(2)	Goods	1,270,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3)	Consultants' Services (including training)	3,490,000	100%
(4)	Operating Costs	220,000	100%
(5)	Unallocated	3,550,000	
	TOTAL	20,700,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Operating Costs" means payments made for expenditures on account of the operating costs of the Oudomxay-PIUs and the Phongsaly-PIUs, including costs for Project-related office equipment, supplies, vehicles and connected facilities, and on account of Project staff travel, but excluding costs incurred in respect of any salaries.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than the equivalent of fifty thousand dollars (\$50,000) each; (b) works under contracts costing less than the equivalent of five hundred thousand dollars (\$500,000) each; (c) consultants' services under contracts awarded to consulting firms costing less than the equivalent of one hundred thousand dollars (\$100,000) each; (d) consulting services under contracts awarded to individual consultants costing less than the equivalent of fifty thousand dollars (\$50,000) each; (e) training; and (f) Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower strengthen the local institutional capacity and rehabilitate and upgrade critical basic infrastructure of its remote northern Provinces of Oudomxay and Phongsaly, so as to reduce the poverty conditions and improve the standard of living and socio-economic potential of the poor inhabitants of these provinces and gradually integrate them into the Borrower's national economy.

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: Province of Oudomxay Infrastructure Improvements and Institutional Strengthening

1. Rehabilitation of: (i) about one hundred thirty-nine kilometers (139 km) of Road

No. 2W between Muang Xai and Pakbeng; and (ii) about fifty-two kilometers (52 km) of Road No. 2E between Muang Xai and Phongsaly provincial border.

2. Carrying out a program of road emergency spot improvement works on the sections of the roads referred to in Part A (1) above.

3. Upgrading of water supply system in Muang Xai, including installation of a water treatment plant, and construction of an extension to the local office of Nampapa Lao Muang Xai branch.

4. Provision of community rural water supply, latrine, sanitation and washing facilities, and construction, management and maintenance of said facilities on a cost-effective sustainable basis by local community user groups.

5. Provision of goods (including vehicles, soil and material testing, road survey and construction quality control equipment) and office equipment and supplies as required to carry out the foregoing.

6. Strengthening the institutional capacity of Oudomxay's provincial government technical and administrative authorities to budget, manage, implement, monitor and evaluate provincial investment projects, and related financial accounts and systems, through the provision of consultants' services, workshops, scholarships and training.

Part B: Province of Phongsaly Infrastructure Improvements and Institutional Strengthening

1. Rehabilitation of: (i) about forty kilometers (40 km) of Road No. 19 between Boun Neua and Ban Pakha; (ii) about forty-eight kilometers (48 km) of Road No. 2E between Oudomxay provincial border and Muang Khoua; and (iii) the Boun Neua Airfield, including access road and bridge thereto.

2. Construction of cable river crossing system in Muang Khoua linking Road No. 2E between Oudomxay provincial border through Muang Khoua toward Taichang.

3. Carrying out a program of road emergency spot improvement works on (i) the roads referred to in Part B (1) above and (ii) on Road No. 2E between Muang Khoua and Taichang.

4. Upgrading the water supply system in Muang Khoua, including installation of a water treatment plant and construction of a local office for Nampapa Lao Muang Khoua branch.

5. Provision of community rural water supply, latrine, sanitation and washing facilities, and construction, management and maintenance of said facilities on a cost-effective sustainable basis by local community user groups.

6. Provision of goods (including vehicles, soil and material testing, road survey and construction quality control equipment) and office equipment and supplies as required to carry out the foregoing.

7. Provision of road maintenance vehicles and equipment (including a loader, an excavator and trucks).

8. Strengthening the institutional capacity of Phongsaly's provincial government technical and administrative authorities to budget, manage, implement, monitor and evaluate provincial investment projects, and related financial accounts and systems, through the provision of consultants' services, workshops, scholarships and training.

The Project is expected to be completed by May 30, 2006.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1), (2), (3), and (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 one million five hundred thousand dollars (\$1,500,000) 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 for the Special Account shall be limited to an amount equivalent to seven hundred fifty thousand dollars (\$750,000) 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 Conditions shall be equal to or exceed the equivalent of four million Special Drawing Rights (SDR 4,000,000).

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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such 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 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 a Special Account:

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

(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 respective 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 a Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

