

CONFORMED COPY

CREDIT NUMBER 2902 BOS

Development Credit Agreement

(Emergency Housing Repair Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 1996

CREDIT NUMBER 2902 BOS

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 31, 1996, between BOSNIA AND HERZEGOVINA (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 Part A of the Project;

(B) the Borrower has contracted or intends to contract from other sources of finance (the Cofinanciers) loans and grants in an aggregate amount equivalent to about thirty five million Dollars (\$35,000,000) to assist in the financing of Parts B and C of the Project on the terms and conditions set forth in agreements to be entered into between the Borrower and the Cofinanciers; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set

forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Deutsche Marks" means the lawful currency of the Federal Republic of Germany;
- (b) "Eligible Municipality" means any municipality or city which meets the eligibility criteria set forth in paragraph 2 (d) (v) of Schedule 4 to this Agreement, including, inter alia, Sarajevo, Mostar, Olovo, Kupers and Gorazde;
- (c) "Federation" means the Federation of Bosnia and Herzegovina, a political sub-division of the Borrower, and includes any successor or successors thereof;
- (d) "HMME" means any housing maintenance management enterprise or comparable entity responsible for maintenance and management of public sector housing;
- (e) "PIU" means the Project Implementation Unit established within the Ministry of Physical Planning and Environment of the Federation;
- (f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated July 2, 1996 and July 5, 1996 between the Borrower and the Association;
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (h) "Subsidiary Agreement" means any agreement entered into between the Federation, through the PIU, and an Eligible Municipality pursuant to paragraph 2 (d) (i) of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to such Subsidiary Agreement;
- (i) "Subsidiary Credit" means the credit granted under the Subsidiary Finance Agreement; and
- (j) "Subsidiary Finance Agreement" means the agreement to be entered into between the Borrower and the Federation, pursuant to Section 3.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to such Subsidiary Finance 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 ten million five hundred thousand Special Drawing Rights (SDR 10,500,000).

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 services required for Part A of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of Part A of the Project, open and maintain in Dollars a special deposit account in a commercial bank, acceptable to the

Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 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 (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 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 March 15 and September 15 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 March 15 and September 15 commencing September 15, 2006 and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2016 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) 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:

- (a) (i) shall cause the Federation to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, construction, engineering and environmental practices, and to this end shall relend the proceeds of the Credit to the Federation under a Subsidiary Finance Agreement to be entered into between the Borrower and the Federation under terms and conditions which shall have been approved by the Association, which shall include the principal terms and conditions set forth in paragraph 1 of Schedule 4 to this Agreement;
- (ii) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Federation to carry out the Project and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project; and
- (iii) shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by the Federation;

(b) shall exercise its rights under the Subsidiary Finance Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purpose of the Credit, and except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive the Subsidiary Finance Agreement or any provision thereof; and

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

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

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause the Federation to maintain 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 and the Federation responsible for carrying out the Project or any part thereof.

- (b) The Borrower shall or shall cause the Federation to:
  - (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, who shall be employed by October 31, 1996;
  - (ii) furnish to the Association, as soon as available, but in any case not later than four (4) 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, 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 or shall cause the Federation to:

- (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 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;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effectiveness; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Finance Agreement has been entered into by the Borrower and the Federation, respectively, with terms and conditions satisfactory to the Association.

Section 5.02. 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 Subsidiary Finance Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and the Federation in accordance with its terms.

Section 5.03. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Mehmeda Spahe 5  
71000 Sarajevo  
Bosnia and Herzegovina

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

197688 (TRT),  
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.

BOSNIA AND HERZEGOVINA

By /s/ Sven Alkalaj

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christine Wallich

Acting Regional Vice President  
Europe and Central Asia

#### 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) Works under Part A of the Project	8,500,000	100% (net of taxes)
(2) Incremental Operating Costs under Part A of the Project	350,000	100%
(3) Refunding of Project Preparation Advance	1,400,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(4) Unallocated	250,000	
TOTAL	10,500,000	

2. For the purposes of this Schedule, the term "Incremental Operating Costs" means the costs of incremental staff, services, facilities and other resources, including the costs of design, management and supervision services required by the PIU, as agreed with the Association, to implement Part A of the Project.

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 Incremental Operating Costs, and expenditures for works under contracts costing less than \$1,000,000 equivalent, except for the first five contracts, under such terms and conditions as the Association shall specify by notice to the Borrower.

5. No withdrawals shall be made in respect of expenditures for works procured under contracts costing less than \$30,000 equivalent, and contracts costing more than \$1,000,000 equivalent.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) repair the common areas and weather-proofing of building structures of public sector housing; (ii) carry out a pilot project in selected municipalities to test the implementation procedures for emergency repair of private and public sector housing; and (iii) strengthen the implementation capacity of the PIU and housing sector agencies.

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: Emergency Public Housing Repair

Repair works to the common areas (including roofs, external walls, staircases, and utility systems) and weather-proofing of publicly owned apartment buildings, located in selected urban areas.

Part B: Pilot Project

Repair works to lightly damaged houses and apartment buildings, located in selected municipalities.

Part C: Institutional Strengthening

Provision of goods and technical assistance to strengthen the implementation capacity of the PIU and housing sector agencies.

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The Project is expected to be completed by December 31, 1997.

## SCHEDULE 3

### Procurement

Part A: General

Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995, and revised in January 1996 (the Guidelines), and the following provisions, as applicable.

Part B: Procurement Procedure

Procurement of Small Works

1. Contracts for works shall be grouped in bid packages estimated to cost between \$30,000 equivalent or more and \$1,000,000 or less each.

2. Works shall be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors (qualified according to criteria acceptable to the Association) in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations soliciting quotations, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first five contracts for works, the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

SCHEDULE 4

Implementation Program

The principal terms and conditions of the Subsidiary Finance Agreement shall include the following:

1. (a) The Subsidiary Credit shall be denominated in Deutsche Marks.

(b) The term of the Subsidiary Credit shall be thirty five (35) years, including a ten (10) year grace period.

(c) The Borrower shall charge the Federation a commitment fee at a rate equal to the rate of the commitment charge payable under Section 2.04 of this Agreement.

(d) The Borrower shall charge the Federation interest on the principal amount of the Subsidiary Credit withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.05 of this Agreement.

(e) The principal amount of the Subsidiary Credit shall be the equivalent in Deutsche Marks (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Credit Account on account of expenditures for Part A of the Project.

2. (a) The Federation shall maintain the PIU with a sufficient number of qualified staff, adequate facilities, and terms of reference, satisfactory to the Association.

(b) The Federation shall:

(i) 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;

(ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 28, 1997, 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

(iii) review with the Association, by March 31, 1997, 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.

(c) For the purposes of Section 9.06 of the General Conditions, and without limitation thereto, the Federation shall:

- (i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Federation and the Association, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with the Federation on said plan.

(d) The Federation shall, through the PIU:

- (i) enter into a Subsidiary Agreement with each Eligible Municipality, under terms and conditions which shall include, inter alia, those set forth in paragraph 2 (e) of this Schedule;
- (ii) monitor the overall execution of the Project and the carrying out by each Eligible Municipality of its obligations under the Subsidiary Agreement to which it is a party;
- (iii) take or cause to be taken all action necessary or appropriate on its part to enable each Eligible Municipality to perform its obligations under the Subsidiary Agreement to which it is a party, and not take or permit to be taken any action which would prevent or interfere with such performance;
- (iv) exercise its rights under the Subsidiary Agreements in such manner as to protect the interests of the Association and the Borrower and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Subsidiary Agreement or provision thereof;
- (v) select the Eligible Municipalities in accordance with the following criteria:
  - (A) the residents of each Eligible Municipality must be more than 10,000 according to the latest available census;
  - (B) a significant proportion of the housing stock must be publicly owned; and
  - (C) a significant proportion (more than 30%) of such housing stock must have been damaged, without suffering, however, from any major structural damage (less than 40% of the external envelope).

(e) The Federation, through the PIU, shall ensure that the following terms and conditions are incorporated in each Subsidiary Agreement:

- (i) Except as the Borrower and the Association shall otherwise agree, the apartment buildings eligible for repair works under the Project shall be selected in accordance with the following criteria:
  - (A) the apartment buildings must have been constructed with built masonry, concrete frame, and non-modular construction systems;
  - (B) the apartment buildings must have suffered limited damage to their external envelopes (less than 40%), without suffering any major structural damage;
  - (C) the apartment buildings must be located in areas that have been cleared, or have been declared free, of mines;
  - (D) the apartment buildings must be located in populated areas, and must either benefit from operating infrastructure

services or be located in areas where, at the time of the selection, infrastructure services are planned to be restored under other projects;

- (E) the apartment buildings must provide, once repaired, the highest possible number of useable units;
  - (F) the apartment buildings must be free from any ongoing dispute with respect to their ownership at the time of the selection; and
  - (G) the Eligibility Municipality must have agreed, in writing, to the repair works under the Project and to the rents to be charged in consideration of such works.
- (ii) Each Eligible Municipality shall, through an HMME, inter alia:
- (A) select eligible apartment buildings, in accordance with the criteria listed in paragraph 2 (e) (i) of this Schedule;
  - (B) carry out damage assessments of the selected apartment buildings;
  - (C) pre-qualify contractors as provided in paragraph 2 of Part B of Schedule 3 to this Agreement, prepare the invitation to contractors for submission of quotations for the works to be carried out under the Project, and enter into agreements with the selected contractors;
  - (D) supervise contractors and monitor the progress of the repair works under the Project;
  - (E) prepare and submit to the PIU, for its review, completion reports relating to the repair works under the Project; and
  - (F) collect the rents charged to the owners of the selected apartment buildings.
- (iii) The rents charged to the owners of the selected buildings shall at a minimum recover the costs of the repair works under the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 services required for Part A of 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 \$3,000,000 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 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 eligible Categories, and in the 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.

