

CONFORMED COPY

CREDIT NUMBER 3694 CM

Development Credit Agreement

(Douala Infrastructure Project)

between

REPUBLIC OF CAMEROON

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2002

CREDIT NUMBER 3694 CM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 2002, between REPUBLIC OF CAMEROON (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated February 1, 2002, from the Borrower describing a program designed to ensure the safe, reliable and efficient operation of its transport system and to improve the management of roads in the city of Douala (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) the Project will be carried out by *Communauté Urbaine de Douala* (the Douala City Council) (CUD) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to CUD, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and CUD (the Project 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 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CAA" means *Caisse Autonome d'Amortissement*, a public financial institution of the Borrower;

(b) "CFA Franc" or "CFAF" means the currency of the Borrower;

(c) "CUD" means *Communauté Urbaine de Douala* or the Douala City Council, established and operating pursuant to the Borrower's Law No. 87/015, dated July 15, 1987, *portant création des communautés urbaines*, and the Borrower's Decree No. 87/1366, *portant création de la Communauté Urbaine de Douala*, dated September 24, 1987, as amended from time to time;

(d) "Environmental Management Plan" means the action plan, adopted by CUD on March 13, 2002, and endorsed by the Borrower, for carrying out urban infrastructure activities;

(e) “Environmental Unit” means the environmental unit within MINTP (as hereinafter defined), with the responsibility of, *inter alia*, carrying out environmental impact assessments and ensuring compliance with the Borrower’s environmental standards;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of the Project Agreement;

(g) “Fiscal Year” means the Borrower’s fiscal year which, starting as of January 1, 2003, begins on January 1 and ends on December 31 of each calendar year;

(h) “MINEFI” means the Borrower’s Ministry responsible for economy and finance;

(i) “MINTP” means the Borrower’s Ministry responsible for public works;

(j) “PCC” means the Program Coordinating Committee established by the Borrower’s *Arrêté* No. 0008/A/MINVIL/CAB dated April 19, 2002, *portant création du Comité de Suivi du Programme de réhabilitation et d’entretien des voiries de désenclavement du port et des zones industrielles de Douala*, to catalyze, facilitate and coordinate the activities of the Project;

(k) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(l) “Project Agreement” means the agreement between the Association and CUD of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(m) “Project Implementation Manual” means the manual to be adopted pursuant to Section 6.01 (c) of this Agreement, outlining policies, procedures and guidelines, including financial management guidelines, to be followed in the implementation of the Project;

(n) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on March 25, 2002 and on behalf of the Borrower on April 16, 2002;

(o) “Project Unit” means the project unit to be established in CUD pursuant to Section 6.01 (i) of this Agreement;

(p) “Road Fund” means the fund established and operating pursuant to the Borrower’s Law No.96/07 dated April 8, 1996, *portant protection du patrimoine routier national*, and the Borrower’s Decree no. 98/162, dated August 26, 1998, *fixant les modalités de fonctionnement du Fonds Routier*;

(q) “Road Maintenance Account” means the account reflected in CUD’s budget for the maintenance of the Urban Roads Network (as defined hereinafter), referred to in Section 4.02 of this Agreement;

(r) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(s) “Subsidiary Agreement” means the agreement to be entered into between the Borrower and CUD pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement; and

(t) “Urban Roads Network” means the network of all paved roads and important unpaved roads in CUD.

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 forty-five million two hundred thousand Special Drawing Rights (SDR 45,200,000).

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 CFA Francs a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall

reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2012 and ending March 15, 2042. Each installment to and including the installment payable on March 15, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause CUD to perform in accordance with the provisions of the Project Agreement all the obligations of CUD therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CUD to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall assist CUD in the carrying out of the Project in accordance with the Implementation Program set forth in Schedule 2 to the Project Agreement.

(c) The Borrower shall make the proceeds of the Credit available to CUD, as a grant under a subsidiary agreement to be entered into between the Borrower and CUD, under terms and conditions which shall have been approved by the Association.

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

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. Without any limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution to the financing of the Project:

(a) open and maintain an account in CFAF in a commercial bank acceptable to the Association (the "Project Account");

(b) deposit into the Project Account an initial contribution of CFA Francs one billion (CFA Francs 1,000,000,000);

(c) thereafter, replenish said account by March 31, June 30, September 30 and December 31 at the latest in each year, with such amounts as shall be required as the Borrower's counterpart funding, which is not otherwise financed out of the proceeds of the Credit; and

(d) ensure that the amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall take steps, or cause CUD to take steps, to:

(a) 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 Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by CUD pursuant to Section 2.03 of the Project Agreement.

Section 3.06. The Borrower shall promptly take all action which shall be necessary on its part: (i) under the Environmental Management Plan; and (ii) to enable CUD to perform all its obligations under said Plan and to obtain any authorization for the Project required under said Plan.

Section 3.07. The Borrower shall:

(a) maintain the PCC, in a form satisfactory to the Association; and

(b) ensure that PCC has the overall responsibility for guidance and monitoring of the Project implementation.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate 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 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 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.

Section 4.02. The Borrower shall:

(a) cause CUD to maintain the Road Maintenance Account, on terms and conditions satisfactory to the Association;

(b) not later than November 30, 2002, deposit into the Road Maintenance Account an amount equivalent to CFA Francs one billion one hundred and five million (CFAF 1,105,000,000); and

(c) thereafter, each Fiscal Year, replenish such account with an amount satisfactory to the Association (additional to the Borrower's counterpart funds under the Project), and sufficient for and applied to, the financing of the maintenance of the roads included in the Urban Roads Network.

ARTICLE V

Remedies of the Association

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

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

(b) CUD shall have failed to perform any of its obligations under the Project

Agreement;

(c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that CUD will be able to perform its obligations under the Project Agreement; and

(d) Law No. 87-15, dated July 15, 1987, or Decree No. 87-1366, dated September 24, 1987, or *Arrêté* No. 0008/A/MINVIL/CAB, dated April 19, 2002, of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CUD to perform any of its obligations under the Project Agreement.

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

(a) any event specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and CUD, in form and substance satisfactory to the Association;

(b) the Project Account has been opened and the initial contribution referred to in Section 3.03 (b) of this Agreement has been deposited therein;

(c) CUD has adopted the Project Implementation Manual, in form and substance satisfactory to the Association;

(d) CUD has employed an accounting firm, in accordance with Section II of Schedule 1 to the Project Agreement;

(e) CUD has established an accounting and financial management system for the Project, satisfactory to the Association;

(f) CUD has employed the independent auditors referred to in Section 4.01 of the Project Agreement, in accordance with the provisions of Section II of Schedule 1 to the Project agreement;

(g) CUD has appointed consultants for the supervision of civil works and control, and supervision of technical assistance under the Project, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement;

(h) CUD has submitted bidding documents for the civil works to be carried out under the Project, in a form and substance satisfactory to the Association; and

(i) CUD has established the Project Unit as part of its technical services, with functions for the implementation of the Project acceptable to the Association, and a Project Unit Manager, a financial specialist, a procurement specialist and two civil engineers, acceptable to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and CUD and is legally binding upon the Borrower and CUD in accordance with its terms.

Section 6.03. The date ninety 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 responsible for public investments and regional development 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 Public Investments
and Regional Development
Yaoundé
Republic of Cameroon

Cable address:	Telex:	Facsimile:
MINPAT Yaoundé	8203 KN	(237) 222 15 09

With copy to:

Caisse Autonome d'Amortissement
PO Box 7167
Yaoundé
Republic of Cameroon

Cable address:	Telex:	Facsimile:
CAA Yaoundé	8858 KN	(237) 222 01 29

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CAMEROON

By /s/ Raymond Epote

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	31,000,000	80%
(2) Goods	80,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services (including audit)	7,210,000	70%
(4) Operating costs	120,000	70%
(5) Refunding of Project Preparation Advance	480,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	6,310,000	
TOTAL	45,200,000	

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; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “Operating costs” means the incremental expenditures incurred on account of Project implementation, management and monitoring, including office supplies, administrative support, communications, utility services, travel, accommodation and supervision costs, but excluding salaries of officials of the Borrower’s civil service.

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) works under contracts not exceeding \$200,000 equivalent; (b) goods under contracts not exceeding \$100,000 equivalent; (c) services of consulting firms under contracts not exceeding \$100,000 equivalent; (d) services of individual consultants under contracts not exceeding \$50,000 equivalent; and (e) 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 objectives of the Project are to assist the Borrower in the upgrading and improvement of the road infrastructure in CUD in order to ensure efficient and safe operation of the transport system through, *inter alia*: (a) the rehabilitation of primary roads; and (b) the strengthening of the management and maintenance of the Urban Roads Network.

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: Urban Road Rehabilitation

1. Rehabilitation or upgrading of primary roads connecting the *Port Autonome de Douala* to the industrial areas and intercity road network.
2. Construction of road safety and pedestrian facilities; pavement and sidewalks, and equipping of roads with traffic lights and road signs.
3. Improvement of the urban drainage system.
4. Installation of parking places for public transport vehicles.
5. Provision of technical advisory services to support the above mentioned activities.

Part B: Institutional Development

1. Preparation of an urban development strategy and program including CUD, through the provision of technical advisory services.
2. Strengthening CUD's capacity for: (a) urban road rehabilitation design and supervision; (b) management and maintenance of urban roads in accordance with the Environmental Management Plan; (c) environmental management; (d) audits and project financial management; and (d) Project implementation and monitoring; all through the acquisition of equipment and the provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

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

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of works, 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 of CFAF 300,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of CFAF 150,000,000 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 SDR 10,000,000.

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 the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the

respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Borrower or CUD 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 paragraph 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.

