

**CONFORMED COPY**

**CREDIT NUMBER 3740 BD**

# **Development Credit Agreement**

**(Social Investment Program Project)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 7, 2003**

**CREDIT NUMBER 3740 BD**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated April 7, 2003, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by Social Development Foundation (SDF) 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 SDF, as set forth in this Agreement; and

WHEREAS (C) 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 SDF (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) "Bangladesh Bank" means the Bangladesh Bank established by the Borrower's Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) for the purpose of carrying out the business of central banking;

(b) "Beneficiary" means any community groups or user group, to whom SDF (as hereinafter defined), either directly or through POs (as hereinafter defined) or private entrepreneurs, has made or proposes to make a Sub-grant (as hereinafter defined);

(c) “CAP” means Community Action Plan developed by CGs (as hereinafter defined) under Part B of the Project and implemented under Part C of the Project;

(d) “CG” means community groups, consisting of groups of individuals, grass-root entrepreneurs, or associations, identified, in accordance with the Operational Manual (as hereinafter defined), as eligible to access funds under Parts B and C of the Project;

(e) “CSO” or “community support organization” means a participating organization (as hereinafter defined) assisting SDF in carrying out the Project;

(f) “EA Manual” means the environmental assessment manual prepared for the purpose of carrying out the Project;

(g) “Financial Monitoring Report” means the report prepared under Section 4.02 of the Project Agreement;

(h) “Fiscal Year” or “FY” means the Fiscal Year of the Borrower beginning on July 1 of a calendar year and ending on June 30 of the following calendar year;

(i) “Memorandum and Articles of Association” means the Memorandum and Articles of Association of SDF (as hereinafter defined);

(j) “Operational Manual” means the manual adopted by SDF in December 2002, containing the terms and conditions and procedures to be applied in the implementation of the Project, as such manual may be amended from time to time in agreement with the Association;

(k) “PO” or “participating organization” means a non-profit organization contracted by SDF to carry out Part C.2 of the Project;

(l) “Project Agreement” means the agreement between the Association and SDF 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) “SDF” means the Social Development Foundation, an institution registered as a non-profit organization under the Borrower’s Companies Act, 1994, as amended;

(n) “Special Account” means the Convertible Taka Special Account referred to in Section 2.02(b) of this Agreement and described in the Circular dated September 2, 1991 as revised on May 4, 1992 and December 24, 1992, of the Finance Division of the Borrower’s Ministry of Finance entitled “Procedures for Operation of Convertible Taka Special Account (CONTASA) of IDA-Aided Development Projects

Under Government, Departments, Autonomous, and Semi-Autonomous Bodies,” as such Circular may be amended from time to time in agreement with the Association;

(o) “Sub-grant” means a grant made or proposed to be made by SDF out of the proceeds of the Credit for financing an eligible Subproject;

(p) “Subproject” means any eligible activity or activities to be carried out by a Beneficiary utilizing the proceeds of a Sub-grant and community contribution, in accordance with the Operational Manual;

(q) “Subproject Financing Agreement” means the agreement to be entered between SDF and a Beneficiary for the purpose of carrying out by the Beneficiary of a Subproject;

(r) “Subsidiary Grant” means a grant to be made by the Borrower out of the proceeds of the Credit to SDF pursuant to the provisions of Section 3.01(b) of this Agreement;

(s) “Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and SDF, satisfactory to the Association, pursuant to Section 6.01 of this Agreement;

(t) “Taka” means the currency of the Borrower;

(u) “Tribal Development Plan” or “TDP” means the Tribal Development Plan, prepared in December 2002, issued by SDF, and describing a program of actions, measures and policies designed to maximize the benefits accruing to tribal groups and avoid or mitigate potential impacts adversely affecting such groups under the Project; and

(v) “Tripartite Financing Agreement” means the agreement to be entered between SDF, PO or private entrepreneur, and a Beneficiary for the purpose of carrying out Subprojects under Part D.2 of the Project, utilizing the proceeds of the Sub-grant.

## **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 thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000).

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: (i) amounts paid (or, if the Association shall so agree, to be paid) through SDF to a Beneficiary on account of withdrawals made by a Beneficiary under a Sub-grant to meet the reasonable cost of goods, works and services required for an Eligible Subproject in respect of which the withdrawal from the Credit Account is requested; and (ii) 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 Taka a separate special deposit account in Bangladesh Bank, on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2007, 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 1 and September 1 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 1 and September 1 commencing September 1, 2013 and ending March 1, 2043. Each installment to and including the installment payable on March 1, 2023, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

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

Section 2.09. SDF is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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 SDF to perform in accordance with the provisions of the Project Agreement all the obligations of SDF therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SDF to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall provide the proceeds of the Credit as a grant to SDF for purposes of the Project, in accordance with the provisions of a Subsidiary Grant Agreement to be entered into between the Borrower and SDF, containing the procedures, terms, conditions and implementation arrangements, approved by the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Grant 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 Grant 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. 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 SDF pursuant to Section 2.03 of the Project Agreement.

## 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.



## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the following additional events are specified:

(a) SDF shall have failed to perform any of its obligations under the Project Agreement;

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

(c) The Company Act, 1994 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SDF to perform any of its obligations under the Project Agreement; and

(d) The Memorandum and Articles of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SDF to perform any of its obligations under the Project Agreement.

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

(a) the events specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following event is specified as 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 Grant Agreement has been executed on behalf of the Borrower and SDF.

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 by SDF, and is legally binding upon SDF in accordance with its terms; and

(b) that the Subsidiary Grant Agreement has been duly authorized by the Borrower and SDF and is legally binding upon the Borrower and SDF 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. Except as provided in Section 2.09 of this Agreement, the Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary, or Senior Assistant Secretary, or Assistant Secretary, or Joint Chief, or Deputy Chief, or Senior Assistant Chief, or Assistant Chief of the Economic Relations Division of the Ministry 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:

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic  
of Bangladesh  
Sher-e-Bangla Nagar  
Dhaka, Bangladesh

Telex:

642226 SETU BJ

Facsimile:

88028113088

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 Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Syed Golam Kibria  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick Temple  
Country Director, Bangladesh

**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) Sub-grants for Sub-projects under Part C	8,100,000	85%
(2) Sub-grants for Sub-projects under Part D	420,000	70%
(3) Goods, including vehicles and equipment	220,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(4) Consultants' services, including PO services, audit and training	3,250,000	80%
(5) Incremental Staff Salaries and Operating Costs	550,000	80% in FY03 and FY04, and 60% thereafter
(6) Unallocated	960,000	
	<hr/>	
TOTAL	13,500,000	
	<hr/>	

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 “Incremental Staff Salaries and Operating Costs” means: (i) the salaries and allowances of SDF staff appointed to positions created within SDF for the purpose of implementing the Project; and (ii) the costs of operations and maintenance of vehicles, office rental, office utilities, communication costs, and the costs of consumables procured under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (i) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 410,000 may be made in respect of Categories (3), (4) and (5) set forth in the table in paragraph 1 above, on account of payments made for expenditures before that date but after May 1, 2002; and (ii) a Sub-grant unless the Sub-grant has been made in accordance with the procedures and on the terms and conditions set forth in the Operational Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$100,000 equivalent each; (ii) services of firms under contracts costing less than \$100,000 equivalent each; (iii) services of individual consultants under contracts costing less than \$50,000 equivalent each; (iv) Sub-grants; (v) training, workshops, seminars; and (vi) Incremental Staff Salaries and 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 develop effective and efficient financing and institutional arrangements for improving access to local infrastructure and basic services through the implementation of community-driven small-scale infrastructure works and social assistance programs.

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: Strengthening of SDF**

##### **1. Information and Communication**

(a) Provision of technical advisory services to develop information and communication (IC) strategy, and communication materials for the Project and IC implementation at the national level, including equipment, training and workshops, preparation of appropriate posters, leaflets, radio spots and videos for dissemination.

(b) Provision of technical advisory services and equipment to carry out timely and well targeted information campaign about the Project and the SDF to the Project's primary stakeholders, including the Project's philosophy, mandate and the services offered.

(c) Provision of technical advisory services and equipment to enhance the quality of project design and implementation by collecting, documenting and disseminating knowledge gained by communities regarding good practices and lessons learned.

##### **2. Capacity Building**

Provision of technical advisory services and equipment to assist SDF in the overall management of the Project, and development of SDF policies and modalities for good governance, management of human and financial resources, and monitoring of project performance, including management training for SDF staff on procurement, service contracting, social and environmental assessment of subprojects, financial and administrative procedures, and community demand-driven principles and policies.

3. Monitoring and Learning

Provision of technical advisory services, equipment and logistical assistance to facilitate Project coordination and supervision and strengthen the effectiveness and quality of Project operations, including establishment of a computerized management information system (MIS) for regular input and output monitoring, and services for process monitoring, impact evaluation and special studies.

4. Project Management

Provision of operating costs including salaries and logistical assistance to support Project activities including identification, appraisal and supervision of Subprojects, and implementation of social assistance programs.

Part B: Institutional Development at Community Level

1. Awareness Raising and Information Sharing

Provision of technical advisory services and equipment to carry out, through CSOs, at the district, sub-district, union and village level, programs for raising awareness, motivating and engaging the excluded poor to participate in development of sustainable social and economic capital assets, as well as changing attitudes and behaviors among local stakeholders.

2. Institutional Development and Planning

Provision of technical advisory services through CSOs to facilitate the formation and strengthening of local level organizations and preparation of community action plans (CAPs), including support to CGs in the preparation of subproject proposals for submission to SDF for funding, implementation and operation and maintenance of the infrastructures.

Part C: Implementation of Community Action Plans

1. Community Infrastructure Subprojects

Carrying out of a series of small-scale community works programs, identified and prioritized in the Community Action Plan (CAP), through the provision of matching grants to communities for the implementation of infrastructure Subprojects, including inter alia, transport and trade infrastructure, rural connecting roads, culverts, foot-bridges, drainage, small markets and boat landing jetties, different types of water and sanitation schemes.

2. Social Assistance Program

Provision of PO services to carry out a series of targeted social assistance programs (SAP) to increase the capacity of the poorest and socially excluded groups to avail social and economic opportunities, including: (i) advocacy programs on social and environmental aspects, education, women health and immunization, nutrition, water and sanitation, human and legal rights; (ii) community based health insurance pilots; (iii) occupation skills training; (iv) legal aid support; and (v) provision of one-time seed capital for the graduated trainees and worst affected natural hazard victims to acquire productive assets.

Part D: Pilot Private Financing in Community Utilities

1. Provision of technical advisory services and logistical assistance for the development and testing of new approaches to leverage private financing of basic utilities such as, inter alia, piped water supply and off-grid electricity, and provision of oversight through the development of systems and procedures including, inter alia, financing mechanism, institutional options, contracting arrangements, and oversight requirements and functions.

2. Piloting of Subprojects in rural water supply and off-grid electricity in the locations where potential exists, through the provision of matching grants to mobilize private financing.

\* \* \*

The Project is expected to be completed by December 31, 2006.



### **SCHEDULE 3**

#### **Special Account**

1. For the purposes of this Schedule:
  - (a) “Eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) “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 Category in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) “Authorized Allocation” means an amount equivalent to \$1,800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000, until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) through (5) 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 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 the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 Section 2.02(a) 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.