

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N002-0 BOS

Interim Fund  
Development Credit Agreement

(Local Initiatives Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund  
established with funds contributed  
by certain members of the  
International Development Association  
pursuant to Resolution No. IDA 184  
of the Board of Governors of the  
International Development Association

Dated February 6, 1997

INTERIM FUND CREDIT NUMBER N002-0 BOS

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 6, 1997, between BOSNIA AND HERZEGOVINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association, pursuant to Resolution No. IDA 184 (the Interim Fund Resolution of the Board of Governors of the Association, adopted on June 26, 1996).

WHEREAS (A) by the Interim Fund Resolution, the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(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 through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund 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 term "Association" wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account" wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5 (e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5 (c) of said Resolution; and "Participating Countries" means, collectively, all such countries;

(d) The last sentence of Section 3.02 is deleted.

(e) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator 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 Participating Country 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 Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth or referred to in the Interim Fund Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (e) after the Closing Date, an amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Interim Fund Credit shall be cancelled."

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) "Agency Agreement" means an agreement to be entered into between the FETF and a Service Provider (as hereinafter defined) and the RETF and a Service Provider pursuant to the provisions of Part B.1 of Schedule 4 to this Agreement;

(b) "Beneficiary" means: (i) any person adversely affected by the war, including, without limitation, displaced persons, war victims, the disabled, widows and the unemployed; (ii) small farmers and rural microentrepreneurs; and (iii) urban microentrepreneurs;

(c) "Federation" means the Federation of Bosnia and Herzegovina, a political subdivision of the Borrower, and includes any successor or successors thereto;

(d) "FETF" means the Federation Employment and Training Foundation, a legal entity registered with the Federation Ministry of Justice pursuant to the registration dated August 26, 1996 and October 16, 1996 no. 01 - 560/96, and includes any successor thereto acceptable to the Association;

(e) "FETF Subsidiary Financing and Project Implementation Agreement" means the tripartite agreement entered or to be entered into between the Borrower, the Federation and FETF pursuant to the provisions of Section 3.02 (a) of this Agreement;

(f) "LID" means the Local Initiatives Departments of FETF and RETF, as the case may be;

(g) "Microbusiness Project" means a specific income-generating activity selected for financing under Parts A.1 and B.1 of the Project in accordance with the provisions of this Agreement;

(h) "Microcredit" means a credit made or proposed to be made to a Beneficiary out of the proceeds of the Credit by FETF or RETF, through a Service Provider, under a Microcredit Agreement, as hereinafter defined, pursuant to the provisions of Part B.1 of Schedule 4 to this Agreement, to finance a Microbusiness Project; and the term "Microcredits" means, collectively, more than one Microcredit;

(i) "Microcredit Agreement" means an agreement to be entered into between a Service Provider and a Beneficiary in respect of a Microbusiness Project to be financed out of the proceeds of a Microcredit;

(j) "Operational Manual" means the manual to be adopted by FETF and RETF pursuant to paragraphs 3 (b) (i) (B) and 3 (c) (i) (B) of Schedule 1 to this Agreement, setting out the operational and administrative procedures of the FETF and RETF, as the case may be, in respect of the preparation, approval, processing, financing, implementation and supervision of Microbusiness Projects;

(k) "PMAU" means the Procurement Monitoring and Audit Unit of the Borrower established to monitor and audit procurement activities under projects financed, co-financed and administered by the Association and the International Bank for Reconstruction and Development in the territories of the Borrower;

(l) "Republika Srpska" means Republika Srpska, a political subdivision of the Borrower, and includes any successor or successors thereto;

(m) "RETF" means the Republika Srpska Employment and Training Foundation, a legal entity established May 30, 1996, and includes any successor thereto acceptable to the Association;

(n) "RETF Subsidiary Financing and Project Implementation Agreement" means the tripartite agreements entered or to be entered into between the Borrower, Republika Srpska and RETF pursuant to the provisions of Section 3.02 (a) of this Agreement;

(o) "Service Provider" means a non-governmental organization eligible to engage in lending activities to Beneficiaries under Parts A.1 and B.1 of the Project;

(p) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(q) "Subsidiary Financing and Project Implementation Agreements" means the FETF Subsidiary Financing and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement; and "Subsidiary Credit" means the portion of the Credit made available to the Federation and Republika Srpska under the FETF Subsidiary Financing and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement, as the case may be; and

(r) "its/their respective part of the Project" means Part A of the Project in the case of FETF and Part B of the Project in the case of RETF.

## ARTICLE II

### The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to four million nine hundred thousand Special Drawing Rights (SDR 4,900,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Interim Fund Credit.

(b) The Borrower may, for the purposes of Part A and Part B of the Project, open and maintain in Dollars separate special deposit accounts in a bank or banks, acceptable to the Administrator, on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5A and Schedule 5B to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 Interim Fund Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 per cent (3/4 of 1%) per annum on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 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 Interim Fund Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 2007 and ending October 15, 2031. Each installment to and including the installment payable on October 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 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 Administrator 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 Interim Fund Credit shall have been repaid; and (b) requiring the Borrower to commence repayment of the principal amount of the Interim Fund 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 Administrator 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 Administrator 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, 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 Administrator may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause FETF through the Federation and RETF through Republika Srpska to carry out, respectively, Part A and Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, managerial and environmental practices, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FETF and RETF to carry out their respective part of the Project, and shall not take or permit to be taken any action which would prevent or interfere with FETF and RETF carrying out their respective part of the Project.

Section 3.02. (a) The Borrower shall on-lend the proceeds of the Interim Fund Credit to the Federation and Republika Srpska for purposes of the Project under separate subsidiary financing and project implementation agreements to be entered into between the Borrower, the Federation and FETF and the Borrower, Republika Srpska and RETF in accordance with the provisions of the Implementation Program set forth in Schedule 4 to this Agreement.

(b) The Borrower shall exercise its rights under the FETF Subsidiary Financing and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement in such a manner so as to protect the interests of the Borrower and the Administrator, and to accomplish the purposes of the Interim Fund Credit and the objectives of FETF and RETF, and, except as the Administrator shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the FETF Subsidiary Financing and Project Implementation Agreement or the RETF Subsidiary Financing and Project Implementation Agreement, or any provision thereof.

Section 3.03. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund 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 to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator, who shall be employed by November 30, 1997 on terms and conditions satisfactory to the Administrator;

(ii) furnish to the Administrator, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Interim Fund Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator'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.

Section 4.02. The Borrower shall cause each of the Federation and Republika Srpska to coordinate with the PMAU for purposes of procurement monitoring and audit under their respective parts of the Project.

## ARTICLE V

### Remedies of the Association

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

(a) The Federation or FETF or Republika Srpska or RETF shall have failed to perform any of their respective obligations under the FETF Subsidiary Financing and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement.

(b) As a result of events which have occurred after the date of the Interim Fund Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Federation or FETF or Republika Srpska or RETF will be able to perform their respective obligations under the FETF Subsidiary Financing

and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement.

(c) The founding documents of FETF or RETF shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial conditions of FETF or RETF or their ability to carry out their respective part of the Project or to perform any of their respective obligations under the FETF Subsidiary Financing and Project Implementation Agreement and RETF Subsidiary Financing and Project Implementation Agreement.

(d) The Borrower or the Federation or Republika Srpska or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FETF or RETF or for the suspension of their operations.

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

(a) The event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Administrator to the Borrower.

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

#### ARTICLE VI

##### Effective Date: Termination Designation of Administrator

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

(a) the FETF Subsidiary Financing and Project Implementation Agreement has been executed with terms and conditions satisfactory to the Administrator; and

(b) the FETF Operational Manual has been adopted satisfactory to the Administrator.

Section 6.02. The following is 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 Administrator, namely, that the FETF Subsidiary Financing and Project Implementation Agreement has been duly executed by the parties thereto and is legally binding upon them 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.

Section 6.04. The obligations of the Borrower under Article III of this Agreement shall cease and determine on the date on which the Interim Fund Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

Section 6.05. In the event that the Executive Directors of the Association decide to terminate the Functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of Foreign Trade and Economic Relations of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Foreign Trade  
and Economic Relations  
Danijela Ozme 7  
71000 Sarajevo  
Bosnia and Herzegovina

For the Administrator:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (MCI)  
64145 (MCI)

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

BOSNIA AND HERZEGOVINA

By /s/ A. Izetbegovic

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund established  
with funds contributed by certain members of the  
International Development Association pursuant to  
Resolution No. IDA 184 of the Board of Governors  
of the International Development Association

By /s/ R. O'Sullivan

Authorized Representative

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Microcredits		100% of amounts disbursed
(a) under Part A of the Project	1,870,000	
(b) under Part B of the Project	1,040,000	



(2)	Management Fee for Service Providers		100%
	(a) under Part A of the Project	590,000	
	(b) under Part B of the Project	310,000	
(3)	Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expen- ditures for other items procured locally
	(a) under Part A of the Project	30,000	
	(b) under Part B of the Project	30,000	
(4)	Consultants' services and training		100%
	(a) under Part A of the Project	170,000	
	(b) under Part B of the Project	80,000	
(5)	Operating Costs for LID		100%
	(a) under Part A of the Project	130,000	
	(b) under Part B of the Project	80,000	
(6)	Unallocated		
	(a) under Part A of the Project	360,000	
	(b) under Part B of the Project	210,000	
	TOTAL	4,900,000	

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 the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "Operating Costs" means the costs of staff salaries and travel, office utilities and equipment, supplies and materials for the LID, as agreed to by the Administrator; and

(d) the term "Management Fee" means the cost reimbursable to the Service Provider including staff salaries and travel, office utilities and equipment, supplies and materials, as agreed to by the Administrator.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed the equivalent to SDR 70,000 may be made in respect of Categories 3 (a) and 5 (a) on account of payments made for expenditures before that date but after September 30,

1996 and (b) under Categories (1) (b), (2) (b), (3) (b), (4) (b) and (5) (b) unless: (i) evidence satisfactory to the Administrator has been furnished to the Administrator, by April 30, 1997, confirming: (A) that the RETF Subsidiary Financing and Project Implementation Agreement has been executed with terms and conditions satisfactory to the Administrator; and (B) that the RETF Operational Manual satisfactory to the Administrator has been adapted; and (ii) the Administrator has received an opinion or opinions that the RETF Subsidiary Financing and Project Implementation Agreement has been duly executed by the parties thereto and is legally binding upon them in accordance with its terms.

4. In the event the evidence required under paragraph (3) (b) hereof, is not furnished by the date specified in said paragraph (3) (b), the Administrator may, by notice to the Borrower, cancel the amounts allocated to Categories (1) (b), (2) (b), (3) (b), (4) (b) and (5) (b) specified in the table in paragraph 1 hereof or reallocate such amounts to other Categories.

5. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) Microcredits; (b) Operating Costs; (c) contracts for employment of consulting firms not exceeding \$100,000 equivalent each; and (d) contracts for employment of individual consultants not exceeding \$50,000 equivalent, each under such terms and conditions as the Administrator shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) assist economically disadvantaged or under-served groups resume economic activities; (b) establish the framework for the development of sustainable microcredit institutions; and (c) support the improvement of the business environment for the start-up and expansion of self-employment and small businesses.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree upon from time to time to achieve such objectives:

#### Part A: Local Initiatives Support to the Federation

##### 1. Microcredit Programs

Provision of Microcredits to Beneficiaries to carry out Microbusiness Projects for income-generating activities.

##### 2. Institutional Capacity Building

Provision of training and technical advisory services to: (a) the local initiatives department of FETF to monitor and supervise Service Providers and Microbusiness Projects; (b) the Service Providers to administer the Microcredits; and (c) the Beneficiaries to carry out Microbusiness Projects.

##### 3. Management Assistance

Strengthening the capacity of the local initiatives department of FETF through the provision of technical assistance, training, studies, equipment and vehicles.

#### Part B: Local Initiatives Support to Republika Srpska

##### 1. Microcredit Programs

Provision of Microcredits to Beneficiaries to carry out Microbusiness Projects for income-generating activities.

##### 2. Institutional Capacity Building

Provision of training and technical advisory services to: (a) the local initiatives department of RETF to monitor and supervise Service Providers and Microbusiness Projects; (b) the Service Providers to administer the Microcredits; and (c) the Beneficiaries to carry out Microbusiness Projects.

##### 3. Management Assistance

Strengthening the capacity of the local initiatives department of RETF through the provision of technical assistance, training, studies, equipment and vehicles.

\* \* \*

The Project is expected to be completed by December 31, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: General

Goods 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 and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

###### Part A: Procurement Procedure

###### National Shopping

Equipment and vehicles under Parts A.3 and B.3 of the Project may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

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

###### 1. Post Review

The procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to the procurement under Part A of this Section.

##### Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

##### Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nations of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out of the proceeds of the Interim Fund Credit.

SCHEDULE 4

Terms and Conditions of Subsidiary Financing and  
Project Implementation Agreements

The principal terms and conditions of the Subsidiary Financing and Project Implementation Agreements shall include the following:

Part A: General

1. (a) The Borrower shall onlend out of the proceeds of the Interim Fund Credit: (i) to the Federation the amounts in Categories (1)(a), (2)(a), (3)(a), (4)(a) and (5)(a); and (ii) to the Republika Srpska the amounts in Categories (1)(b), (2)(b), (3)(b), (4)(b) and (5)(b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; (b) the term of the Subsidiary Credit shall be 35 years, including a 10 year grace period; (c) the Borrower shall charge the Federation and Republika Srpska, respectively, a commitment fee at a rate equal to the rate of commitment charge payable under Section 2.04 of this Agreement; (d) the Borrower shall charge the Federation and Republika Srpska, respectively, interest on the principal amount of the Subsidiary Credit withdrawn and outstanding from time to time at a rate equal to the rate of the service charge payable by the Borrower to the Association under Section 2.05 of this Agreement; and (e) the principal amount of the Subsidiary Credit shall be the equivalent in dollars (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Interim Fund Credit Account on account of expenditures for the Project.
2. The Federation shall make available to FETF and Republika Srpska shall make available to RETF, on a non-reimbursable grant basis, the proceeds of the Subsidiary Credit.
3. FETF shall carry out Part A of the Project and RETF shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and managerial practices, and in accordance with the provisions set forth below.
4. For the purposes of their respective part of the Project, FETF and RETF shall each:
  - (a) coordinate and supervise the overall implementation of the Project;
  - (b) establish and maintain a LID within FETF and RETF for Project Implementation with staffing and functions acceptable to the Administrator;
  - (c) carry out the procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Subsidiary Credit in accordance with the provisions of Schedule 3 to this Agreement;
  - (d) the Federation and Republika Srpska shall, through the LID of FETF and LID of RETF, respectively, coordinate with the PMAU for purposes of monitoring and audit of procurement activities for their respective parts of the Project; and
  - (e) submit to the Borrower, the Administrator, and, as the case may be, the Federation and Republika Srpska, quarterly progress reports on the implementation of the Project, of such scope and in such detail as the Administrator shall reasonably request.
5. For the purposes of Section 9.07 of the General Conditions and without limitation thereto and for purposes of its respective part of the Project, FETF and RETF shall each:
  - (a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator 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 Administrator, a plan for the future operation of the Project; and
  - (b) afford the Administrator a reasonable opportunity to exchange views with the Borrower and FETF and RETF and, as the case may be, the Federation and Republika Srpska, on said plan.
6. For purposes of its respective part of the Project, FETF and RETF shall each:

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

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about November 30, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Administrator, by December 31, 1997 or such later date as the Administrator shall request, the report referred to in sub-paragraph (b) above, 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 said report and the Administrator's views on the matter.

7. For purposes of their respective part of the Project, FETF and RETF shall each 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 FETF and RETF responsible for carrying out the Project or any part thereof.

8. For purposes of their respective part of the Project, FETF and RETF shall each maintain the Operational Manual acceptable to the Administrator.

Part B: Microcredits

1. For the purpose of carrying out Parts A.1 and B.1 of the Project, FETF and RETF shall each enter into an Agency Agreement with a Service Provider under terms and conditions acceptable to the Borrower and the Administrator including, without limitation, the Principal Terms and Conditions set forth in the Annex to this Schedule and through the Service Providers, make available to each Beneficiary, out of the proceeds of the Subsidiary Credit allocated from time to time to Categories (1) (a) and (b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, the amount of financing required for its respective Microbusiness Project under a Microcredit Agreement to be entered into between the Service Provider and the Beneficiary, under terms and conditions satisfactory to the Borrower and the Administrator, which shall include, without limitation, the terms and conditions set forth in the Attachment to the Annex to Schedule 4.

2. FETF and RETF may each enter into an Agency Agreement with a Service Provider which FETF and RETF, as the case may be, shall have determined that it meets, inter alia, the following eligibility criteria:

(a) the Service Provider has an adequate number of qualified staff to enable it to carry out its activities with due diligence and efficiency;

(b) the Service Provider has adequate capacity to manage credit activities; and

(c) the Service Provider has the capacity to maintain adequate records and accounts in accordance with appropriate accounting practices.

3. FETF and RETF shall each obtain the Association's approval of any proposed Agency Agreement prior to the execution thereof.

ANNEX TO SCHEDULE 4

Principal Terms and Conditions of Agency Agreements

1. General

Each respective Agency Agreement shall contain provisions pursuant to which each respective Service Provider shall undertake to:

(a) carry out its activities under Parts A.1 and B.1 of the Project and conduct its operations and affairs in accordance with appropriate administrative and financial standards and practices;

(b) make Microcredits to Beneficiaries on the terms and conditions set forth in the Operational Manual including, without limitation, the terms and conditions set forth in the Attachment to this Annex;

(c) exercise its rights in relation to each such Microcredit in such manner as to protect its interests and the interests of the Borrower, the Administrator, FETF and RETF, as the case may be, and comply with its obligations under its respective Agency Agreement to achieve the purposes of Parts A.1 and B.1 of the Project;

(d) refrain from assigning, amending, abrogating or waiving any of its Microcredit Agreement, or any provision thereof, without prior approval of FETF or RETF, as the case may be;

(e) cause the Beneficiary to perform in accordance with the provisions of the respective Microcredit Agreement, all the objectives set forth therein;

(f) appraise Microbusiness Projects and supervise, monitor and report on the implementation by Beneficiaries in accordance to the Operational Manual;

(g) exchange views with, and furnish all such information to, FETF and RETF, as the case may be, as may be reasonably requested by the Administrator or FETF and RETF, as the case may be, with regard to the progress of its activities under Parts A.1 and B.1 of the Project, the performance of its obligations under its respective Agency Agreement and other matters relating to the purposes of Parts A.1 and B.1 of the Project;

(h) promptly inform FETF or RETF, as the case may be, of any conditions which interferes or threatens to interfere with the progress of its activities under its respective Agency Agreement;

(i) maintain records and accounts to reflect, in accordance with sound accounting practices, its operations and financial condition, including a separate account in respect of any repayments of the principal to be made by the Beneficiaries under their respective Microcredits and utilize all amounts to be credited to this separate account exclusively to finance Microcredits on similar terms and conditions as those applicable to the respective portions of the Microcredits so repaid and credited to the said separate account;

(j) furnish to FETF and RETF, as the case may be, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year in such scope and detail as the Administrator or FETF or RETF shall have reasonably requested; and

(k) furnish to FETF and RETF, as the case may be, such other information concerning said records, accounts and financial statements, as the Administrator or FETF and RETF, as the case may be, shall from time to time reasonably request.

## 2. Fees

In respect of each Microcredit made by a Service Provider to a Beneficiary, depending on the outcome of the semi-annual performance review of the Service Provider carried out by the FETF and RETF, as the case may be, the Service Provider may be entitled to retain, as a performance fee, 100% or less of interest repaid by the Beneficiary under the Microcredit Agreement. The Service Provider shall use such performance fee, exclusively, either to cover its cost reimbursable, including staff salaries and travel, office utilities and equipment, supplies and materials or to finance new Microcredits under the same terms and conditions as set forth in this Agreement.

## 3. Remedies

The right of a Service Provider to commit further Microcredits may be: (a) suspended on account of failure by such Service Provider to: (i) perform any of its obligations under its respective Agency Agreement, or (ii) continue to be in compliance with the eligibility requirements for Service Providers; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of 120 days.

ATTACHMENT TO THE ANNEX TO SCHEDULE 4

Terms and Conditions of Microcredits

The provisions of this Attachment shall apply for the purposes of paragraph 1 (b) of the Annex to Schedule 4 to this Agreement.

1. The principal amount of each Microcredit shall: (a) be denominated in Deutsche Marks (DEM) and shall be the equivalent (determined as of the date or respective dates of withdrawal from the Interim Fund Credit Account or payment out of the Special Accounts), of the value of the currency or currencies so withdrawn or paid out on account of expenditures for works, goods and services financed out of such proceeds for the Microbusiness Project; and (b) not exceed the amount DEM 10,000.

2. Each Microcredit shall: (a) bear an interest on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by FETF and RETF, as the case may be, taking into account the real positive interest rates prevailing in the Borrower's financial markets, the administration and operating costs of the Service Provider; and (b) be for a term not exceeding two years.

3. Microcredits shall be made for Microbusiness Projects which are each selected by the Service Provider making the Microcredit on the basis of criteria, and terms and conditions set forth in the Operational Manual.

4. Microcredits shall each be made on terms whereby the Service Provider making the Microcredit shall enter into a Microcredit Agreement with the Beneficiaries to obtain, rights adequate to protect its interest and those of the Borrower, the Administrator and FETF and RETF, as the case may be, including, as appropriate, the right to:

(a) require the Beneficiary to carry out the Microbusiness Project with due diligence and efficiency and in conformity with appropriate technical, environmental, economical, financial and commercial practices, to maintain adequate records, and to provide, promptly as needed, the fund facilities and other resources required for this purpose;

(b) require that: (i) the works, goods and services to be financed out of the proceeds of the Microcredit shall be procured using purchasing practices, which usually involves comparing more than one price quotation; and (ii) such goods and services shall be used exclusively in the carrying out of the Microbusiness Project;

(c) inspect, by itself or jointly with representatives of the Association or FETF and RETF, as the case may be, if the Association or FETF and RETF shall so request, the goods and the sites, works, plans and construction included in the Microbusiness Projects, the operation thereof, any relevant records and documents;

(d) require the Beneficiary to maintain accounts and records relating to expenditures under the Microbusiness projects, as shall be consistent with sound business practices;

(e) obtain all such information as the Association or FETF and RETF shall reasonably request, relating to the administration, operations and financial conditions of the Microbusiness Project; and

(f) suspend or terminate the right of the Beneficiary to use the use of the proceeds of the Microcredit on account of failure by such Beneficiary to perform its obligations under its contract with the Service Provider.

#### SCHEDULE 5A

##### Special Account A for Part A of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(a), (2)(a), (3)(a), (4)(a) and (5)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Interim Fund 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 \$600,000 to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account A pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into Special Account A 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 Special Account A for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Interim Fund 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 Special Account A, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into Special Account A:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for Special Account A;

(c) if, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in Special Account A as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

#### SCHEDULE 5B

##### Special Account B for Part B of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(b), (2)(b), (3)(b), (4)(b) and (5)(b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Interim Fund 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 \$300,000 to be withdrawn from the Interim Fund Credit Account and deposited in Special Account B pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into Special Account B 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 Special Account B for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Interim Fund 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 Special Account B, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into Special Account B:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for Special Account B;

(c) if, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in Special Account B as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

