

CONFORMED COPY

CREDIT NUMBER 1940 BD

(Rural Roads and Markets
Improvement and Maintenance Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 29, 1988

CREDIT NUMBER 1940 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 29, 1988, 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 Borrower intends to contract from the Government of the Federal Republic of Germany, acting through the Kreditanstalt fuer Wiederaufbau (KfW) a grant (the KfW Grant) in an amount equivalent to twenty five million five hundred thousand Deutsche Marks (DM25,500,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the KfW Agreement) to be entered into between the Borrower and KfW;

(C) the Borrower intends to contract from the Government of the Swiss Confederation (Switzerland), acting through the Swiss Development Cooperation (SDC) a non-reimbursable contribution (the Swiss Contribution) in an amount equivalent to thirteen million nine hundred thousand Swiss Francs (SwF 13,900,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and

Switzerland;

(D) Switzerland intends to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements dated April 9, 1987 between Switzerland and the Association; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 Central Bank of Bangladesh established under Bangladesh Bank Order 1972 (P.O. Order No. 127 of 1972);

(b) "LGD" means the Local Government Division within the Ministry of Local Government, Rural Development and Cooperatives of the Borrower;

(c) "RHD" means the Roads and Highways Directorate of the Roads and Road Transport Division within the Ministry of Communication of the Borrower;

(d) "Zila" means an administrative unit of the Borrower comprising two or more upazilas;

(e) "Upazila" means the sub-districts created under Ordinance No. LIX of 1982, of the Borrower;

(f) "Project Area" means the area comprising the districts of Bogra, Jaypurhat, Pabna, Sirajgang, Naogaon, Natore, Nawabganj and Rajshahi;

(g) "FY" means the Borrower's fiscal year commencing July 1 and ending June 30 of each year;

(h) "TK" means Taka, the currency of the Borrower;

(i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(j) "Swiss Contribution Account" means the account established by Switzerland for the purpose of the Swiss Contribution; and

(k) "Procedural Arrangements" means the agreement between the Government of Switzerland and the Association for cooperation in the cofinancing of specific projects or programs within the framework of the Eighth Replenishment, dated April 9, 1987.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-five million Special Drawing Rights (SDR 45,000,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account, respectively in accordance with the provisions of Schedule 1 to this

Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit and the Swiss Contribution.

(b) Except as the Association and Switzerland shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed mutatis mutandis by the provisions of Article V of the General Conditions.

(c) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 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 a 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 cancelled; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 1998 and ending March 15, 2028. Each installment to and including the installment payable on March 15, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

provided in paragraph (a) above.

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

ARTICLE III

Execution of the Project

Section 3.01. (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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) Without limitation to the generality of paragraphs (a) and (b) above, the Borrower shall follow criteria satisfactory to the Association in the selection and design of the feeder roads structures on rural roads and growth center markets to be improved or upgraded under Part A of the Project, and (ii) flood rehabilitation works under Part B of the Project.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Credit and the Swiss Contribution shall be governed by the provisions of Schedule 3 to this Agreement.

(b) In order to assist the Borrower in carrying out Part B of the Project, the Borrower shall employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Association.

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 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 nine 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 Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit Account or the Swiss Contribution 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 Association has received the audit for the fiscal year in which the last withdrawal from

the Credit Account or the Swiss Contribution Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

ARTICLE V

Remedies of the Association

Section 5.01. (a) Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Effective Date; Termination

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

(a) all conditions precedent to the effectiveness of the KfW Agreement and the Swiss Contribution Agreement (other than, if applicable, the effectiveness of this Agreement) have been fulfilled;

(b) a senior economist to assist in the implementation, monitoring and evaluation of the Project has been appointed by the Borrower;

(c) the Project Proforma for the carrying out of the Project have been approved by the Borrower; and

(d) the Borrower has employed the consultants to assist the Borrower in the carrying out of the design and supervision for the rural infrastructure under Part A of the Project and for the flood rehabilitation under Part B of the Project.

Section 6.02. 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 6.03. In the event that Switzerland or the Association terminate the functions of the Association pursuant to paragraph 5 of the Procedural Arrangements, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, the Additional Secretary, or any Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources Division of the Ministry of Planning 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:

External Resources Division
Ministry of Planning
Government of the People's
Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Akbar Ali Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit
and of the Swiss Contribution

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs Equivalent)	% of Expendi- tures to be Financed
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(1) Civil works:			
(a) Part A of the Project (other than Part A.9)	23,9000,000		70%
(b) Part A.9 of the Project	400,000		30%
(c) Part B of the Project:			
(i) LGD	8,000,000		95%
(ii) RHD	3,600,000		95%
(2) Goods:			
(a) Part A of the Project	1,300,000)	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items financed locally
(b) Part B of the Project	200,000)	
(3) Feeder roads maintenance	900,000		70% in FY 89, FY 90 and FY 91; 56% in FY 92; 42% in FY 93; and 21% in FY 94
(4) Incremental staff and operating costs	1,300,000		70%
(5) Consultants' services and training for Part A of the Project		13,900,000	100%
(6) Unallocated	5,400,000		
TOTAL	45,000,000	13,900,000	

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; and

(c) the term "incremental staff salaries and operating costs" means the cost of additional staff employed exclusively for purposes of the Project, and the cost of operation and maintenance of offices, vehicles and equipment procured under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 400,000 may be made in respect of Categories (2), (4) and (5) on account of payments made for expenditures before that date but after May 15, 1988;

(b) expenditures to be financed under Category 1 (a) after the aggregate amount of the proceeds of the Credit withdrawn from such Category shall have reached the equivalent of SDR 8,000,000, until the Borrower and the Association have jointly reviewed the progress of the Project pursuant to paragraph 5 (b) of Schedule 4 to this Agreement and the Association has notified the Borrower that, as a result of said review, the Association is satisfied that the Borrower has adopted: (A) a system for feeder road maintenance; (B) a plan for financing feeder road maintenance; (C) a system for monitoring local government road and market activities; (D) technical design and construction standards and specifications for feeder roads and structures on rural roads; and (E) a plan of action for the remainder of the Project; and

(c) expenditures in respect of Category (1) (b), until the Borrower has carried out a study and prepared a financial plan for the building to be constructed under Part A.9 of the Project, satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote rural development through the reconstruction, upgrading and maintenance of feeder roads and markets in the Project Area, to implement cost effective road construction and maintenance techniques, to improve resource mobilization and strengthen institutions responsible for maintenance, and to rehabilitate roads and associated structures west of the Jamuna river damaged by the 1987 floods.

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: Rural Infrastructure

1. Reconstruction, upgrading and maintenance of about 500 km of type B feeder roads.
2. Construction or upgrading of about 3,700 running meters of culverts and bridges on rural roads.
3. Improvements to the facilities of about 65 growth center markets.
4. Development and implementation of a maintenance system for feeder roads.
5. Development and implementation of a training program.
6. Design and supervision of Project works, management and monitoring under the Project.
7. Preparation of a financial plan for Project zilas and upazilas, and of a study of rural transport.
8. Construction of offices and laboratory facilities in the Project zilas.
9. Construction of a new headquarters building for the Local Government Engineering Bureau.
10. Carrying out of a study on the causes of flood damage to roads and related structures, and preparation of an action plan for minimizing future flood damages to roads and related structures.

Part B: Flood Rehabilitation

Rehabilitation of: (i) flood damaged roads and bridges maintained by RHD in southwest Bangladesh; and (ii) flood damaged feeder roads and related bridges in 28 zilas, and roads, bridges, drainage ditches and retaining walls maintained by LGD in 42 municipalities west of the Jamuna River.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Bangladesh may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods that, to the extent practicable, cannot be grouped in bid packages estimated to cost the equivalent of \$200,000 or more and suitable for international competitive bidding, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association; provided, however, that items of equipment estimated to cost less than the equivalent of \$25,000 each, up to an aggregate amount of \$500,000 equivalent, may be procured through prudent shopping on the basis of at least three price quotations from different sources.

2. Civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association; provided that civil works to be carried out by LGD and RHD under Part B of the Project shall be grouped into bid packages estimated to cost TK 1,000,000 and TK 2,500,000 or more each, respectively.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to the first civil works contract for each of the following Parts of the Project: Part A.1, A.2, A.3, A.8 and A.9 and Part B, and thereafter with respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Part A of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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.

SCHEDULE 4

Implementation Program

1. The Borrower shall carry out the Project in accordance with an Implementation Schedule agreed annually with the Association, on or before March 31 in each year, starting on or before March 31, 1989.

2. The Borrower shall ensure that the Project upazilas will contribute 7% of the costs of the structures on rural roads and markets improvements in their areas.

3. The Borrower shall ensure that the project zilas will: (i) set and maintain rental fees on construction equipment at levels sufficient to recover maintenance and replacement costs of such equipment, and (ii) maintain separate accounts into which equipment rental fees shall be paid and from which expenditures shall be made only for equipment maintenance and replacement.

4. The Borrower shall ensure that Project upazilas will increase market tolls on improved markets to levels, and in accordance with a time schedule, agreed with the Association.

5. The Borrower shall: (a) not later than March 31, 1991 or such other date as the Association shall otherwise agree, furnish to the Association an assessment of Project performance up to the date of such assessment and a draft action plan for the remainder of the Project; and (b) not later than June 30, 1991, or such other date as the Association shall otherwise agree, carry out a joint review with the Association, KfW and SDC, of said Project performance with a view to finalizing and carrying out the said action plan.

6. The Borrower shall not issue any tender documents for civil works under Parts A and B of the Project unless and until the consultants referred to in Section 6.01 (d) of the Project have been employed and have reviewed such tender documents.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 4 set forth in the table in paragraph 1 of Schedule 1 to this Agreement; provided, however, that Category 1 (b) will not become an eligible Category until the provisions of paragraph 3 (c) of said Schedule have been complied with.

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 in 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 made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment 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.

