
CREDIT NUMBER 2669-0 GUA

Development Credit Agreement

(Financial Sector and Business Environment Project)

between

REPUBLIC OF GUYANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *January 11*, 1995

CREDIT NUMBER 2669-0 GUA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated *January 11*, 1995, between
REPUBLIC OF GUYANA (the Borrower) and INTERNATIONAL DEVELOPMENT
ASSOCIATION (the Association).

WHEREAS: 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; 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) "BOG" means the Bank of Guyana, the Borrower's Central Bank, established under Chapter 85:02 of the Bank of Guyana Act;

(b) "Companies Act" means the Borrower's Companies Act 1991, No. 29 of 1991;

(c) "Deeds Registry" means the Deeds Registry of the Borrower established under the Borrower's Companies Act No. 29 of 1991;

(d) "GAIBANK" means the Guyana Agricultural and Industrial Bank, a bank established under Chapter 75:01 of the Borrower's Cooperative Financial Institutions Act;

(e) "GNCB" means the Guyana National Cooperative Bank, a bank established under Chapter 75:01 of the Borrower's Cooperative Financial Institutions Act;

(f) "GO-INVEST" means the Borrower's Guyana Office of Investment, established by Order No. 38 of 1994 under the Borrower's Public Corporations Act, No. 21 of 1988;

(g) "Guyanese Dollars" means the Borrower's currency;

(h) "Implementation Letter" means the letter of even date herewith from the Borrower to the Association which includes the Implementation Plan as an annex thereto;

(i) "Implementation Plan" means the Borrower's plan of objectives, activities and expenditures to be achieved, carried out and financed under the Project, respectively;

(j) "MOF" means the Ministry of Finance of the Borrower;

(k) "PIU" means the Project Implementation Unit referred to in Section 3.03 (a) of this Agreement;

(l) "PPFP" means the Borrower's Privatization Policy Framework Paper approved by the Borrower's Parliament on July 16, 1993;

(m) "PU" means the Privatization Unit within MOF referred to in Section 3.08 of this Agreement;

(n) "Public Enterprises" means all entities, whose capital or net worth is partially or wholly owned by the Borrower; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to two million four hundred thousand Special Drawing Rights (SDR 2,400,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in BOG, 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the Accrual Date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date 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 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 June 15 and December 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 June 15 and December 15 commencing June 15, 2005 and ending December 15, 2034. Each installment to and including the installment payable on December 15, 2014 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 increases 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, through MOF, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, environmental and business practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction 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 Plan set forth in the Implementation Letter.

(c) Without limitation or restriction upon the provisions of paragraphs (a) and (b) above, the Borrower shall provide in its annual budget, and make available promptly as needed, in Guyanese Dollars equivalent, the amounts required as counterpart funds for the execution of the Project.

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

Section 3.03. (a) Except as the Association shall otherwise agree, the Borrower shall establish and thereafter operate and maintain, until the completion of the Project, a Project implementation unit (the PIU), within MOF, with functions and responsibilities satisfactory to the Association, including, inter alia: (i) the coordination of the procurement of goods and the selection of consultants to be financed out of the proceeds of this Credit; and (ii) the preparation of the reports referred to in Section 3.05 of this Agreement.

(b) The Borrower shall ensure that the PIU is, at all times, headed by a Project manager with qualifications satisfactory to the Association and assisted by qualified staff in adequate numbers.

Section 3.04. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the environmental audits or assessments, as the case may be, referred to in Part E.1 of the Project, in a manner and under terms satisfactory to the Association.

Section 3.05. Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower, through MOF and with the participation of the PIU, shall not later than June 30 and December 31 of each year of Project implementation, starting in June 1995, prepare and furnish to the Association, for its review, a report of such scope and in such detail as the Association may reasonably request, on the progress in the implementation of the Project during the semester prior to the date of presentation of such report.

Section 3.06. (a) Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower, through MOF and with the participation of the PIU shall review jointly with the Association by not later than March 31 of each year during the execution of the Project, starting in March 1996, the progress made by the Borrower in carrying out, and achieving the objectives of the Project.

(b) As a result of each such review the Association may require that the Borrower prepare an action plan, satisfactory to the Association, to make adjustments in Project implementation. If so, the Borrower shall furnish such action plan to the Association not later than thirty days after the conclusion of the review in question and shall thereafter carry out, or cause to be carried out, such action plan in accordance with its terms.

Section 3.07. Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall, not later than three months after the Effective Date, establish the loan recovery unit referred to in Part B.2 of the Project, in a manner acceptable to the Association, and thereafter operate and maintain such unit with functions and responsibilities satisfactory to the Association.

Section 3.08. (a) The Borrower shall operate and maintain, at all times, the PU with functions and responsibilities satisfactory to the Association.

(b) The Borrower shall ensure that the PU is, at all times, headed by a professional with qualifications satisfactory to the Association, and assisted by a qualified staff in adequate numbers.

Section 3.09. Without limitation to the provisions of Section 3.01 of this Agreement, and in order to enable the Borrower to carry out Part B.1 of the Project, the Borrower shall cause GAIBANK and GNCB to merge and, therefore, create a new entity as a result of such merger.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate 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 three 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 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 separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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 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

Effective Date; Termination

Section 5.01. 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; namely, that the Borrower shall have established the PIU and shall have appointed the Project manager as provided in Section 3.03 of this Agreement.

Section 5.02. The date *April 11, 1995* is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of MOF is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Ministry of Finance
Main and Urquhart Streets
Georgetown
Guyana

Cable address:

MINFIN
Guyana

Telex:

3038

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.

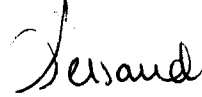
Telex:

248423 (RCA)
82987 (FICC)
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF GUYANA

By



Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	100,700	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(2) Consultants' Services	1,850,000	100%
(3) Training	235,000	100%
(4) Unallocated	214,300	

TOTAL	2,400,000	=====

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; and

(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.

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; and (b) payments made for expenditures under Part B.1 of the Project unless the merger between GAIBANK and GNCB referred to in Section 3.09 of this Agreement has been completed and executed and the new entity created as provided in such Section.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts estimated to cost less than \$25,000 equivalent for goods or consultants' services, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the implementation of policy reforms in the financial and commercial sectors in order to foster private investment within the Borrower's territory, through: (a) the strengthening of the regulatory framework within the financial sector and the supervisory capacity and monetary management of BOG in order to improve the solvency and efficiency of financial intermediation; (b) the reallocation of selected assets of the Borrower to a more efficient use through the privatization of Public Enterprises in accordance with the PFPF; and (c) the improvement of the business environment through: (i) the dissemination of information on foreign investment to potential investors; and (ii) the reduction of barriers and limitations to foreign and domestic investment.

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

Part A: Strengthening of BOG

1. Strengthening of BOG's banking supervisory functions through: (a) the drafting and issuance of banking prudential regulations; (b) the training of BOG's staff in the analysis and monitoring of the activities of financial institutions (including the acquisition and utilization of the equipment required therefor); (c) the drafting and issuance of directives for the carrying out of the supervisory and analytical functions and responsibilities of BOG; (d) the design and implementation of a credit risk qualification system for financial institutions in order to avoid concentration of credits in one or more borrowers (including the acquisition and utilization of the equipment required therefor); and
2. Strengthening of BOG's monetary management functions (including the acquisition and utilization of the equipment required therefor), through: (a) the design and implementation of directives and procedures for open-market operations; (b) the establishment of a money market unit within BOG; (c) the design and implementation of procedures for foreign exchange operations; and (d) the training of BOG's staff in order to implement the directives and procedures referred to in (a) and (c) herein and to manage the unit referred to in (b) herein.

Part B: Technical Assistance to the New Entity

1. Provision of technical assistance to the entity to be created as a result of the merger between GAIBANK and GNCB as referred to in Section 3.09 of this Agreement for assisting such entity in: (a) the design and implementation of uniform credit policies for management of portfolio risks; (b) the design and implementation of loan review and approval procedures to ensure that the credit policies referred to in (a) herein are implemented; (c) the design and implementation of a uniform accounting and financial control system; (d) the drafting and issuance of directives for the implementation of the system referred to in (c) herein (including the acquisition and utilization of the equipment required therefor); and (e) the design and implementation of a strategy to reallocate the staff of the entity referred to herein and restructure its branch network.
2. Establishment of a loan recovery unit.

Part C: Strengthening of the PU

Provision of technical assistance to the PU in order to assist such unit in all the necessary actions to be taken by the PU in connection with the privatization of Public Enterprises, including the acquisition and utilization of the equipment required therefor.

Part D: Improvement of the Business Environment

1. Provision of technical assistance to GO-INVEST for assisting such office in the design and implementation of institutional procedures for promoting investment, including the training of such office's staff and the acquisition and utilization of equipment required therefor.
2. Provision of technical assistance to the Borrower for assisting it in: (a) the drafting and issuance of regulations to the Companies Act, including the training of the Borrower's staff to become acquainted with such regulations; and (b) the design and implementation of a program to strengthen the institutional capacity of the Deeds Registry, including the training of the Registry's staff to implement such program.

Part E: Environmental Audits or Assessments

1. Carrying out of environmental audits or assessments of Public Enterprises to, inter alia, identify mitigatory measures for

negative environmental impacts related to the past and current operating practices and inadequate design features of such Public Enterprises.

2. Strengthening the institutional capacity of the Borrower's environmental protection agency.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. 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 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Association's prior approval will be required for: (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days; and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Association, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Association, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$25,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Guyana 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

Goods estimated to cost less than the equivalent of \$25,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods to be awarded under Part A of this Section, 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 the first contract to be awarded under Part C of this Section, 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, said 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 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of

expenditure with the exception of the first contract to be awarded under Part C of this Section, as referred to in subparagraph (b) above.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Association, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to contracts estimated to cost less than \$25,000 equivalent each. However, said exception to prior Bank 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 Bank; or (d) amendments to contracts raising the contract value to \$25,000 equivalent or above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (3) 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 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 Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 335,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

- (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, 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.