

CONFORMED COPY

CREDIT NUMBER 2086 BEN

Development Credit Agreement

(Rural Savings and Loan Rehabilitation Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 11, 1990

CREDIT NUMBER 2086 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 11, 1990, between the REPUBLIC OF BENIN (the Borrower) and the 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 has obtained or intends to contract from various other donors (the Cofinanciers) grants and loans in an aggregate amount equivalent to five million seven hundred thousand dollars (\$5,700,000) to assist in financing the Project on the terms and conditions set forth in agreements (the cofinancing Agreements) entered into or to be entered into between the Borrower and the Cofinanciers; 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 (the General Conditions), with the last sentence of Section 3.02 deleted, 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) "MIEE" means Ministere de l'Industrie, de l'Energie et des Entreprises, the Borrower's Ministry responsible for industry, energy and enterprises;
- (b) "CRCAM" means Caisse Regionale de Credit Agricole Mutuel;
- (c) "CLCAM" means Caisse Locale de Credit Agricole Mutuel;
- (d) "UCP" means Unite Central du Projet, the central project unit referred to in Section 3.03 (a) of this Agreement;
- (e) "Investment Projects" means small rural projects with a productive purpose;
- (f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (g) "Recapitalization Account" means the account referred to in Section 3.06 (a) of this Agreement; and
- (h) "Francs CFA" and "CFAF" mean Franc de la Communaute Financiere Africaine, the common currency of the Borrower and other members of the West African Monetary Union.

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 this Agreement, an amount in various currencies equivalent to two million Special Drawing Rights (SDR 2,000,000).

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 shall, for the purposes of the Project, open and maintain in CFAF a special account in a bank acceptable to the Association and 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 December 31, 1995 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 and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 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 semiannual installments payable on each June 1 and December 1 commencing June 1, 2000 and ending December 1, 2029. Each installment to and including the installment payable on December 1, 2009 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the CRCAMs and CLCAMs with due diligence and efficiency and in conformity with appropriate credit practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make the proceeds of the Credit for Part C of the Project available to the CRCAMs and CLCAMs as a grant.

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

Section 3.03. The Borrower shall: (a) establish and maintain under the supervision of MIEE a unit central project (the UCP) with responsibilities for supervising and coordinating the execution of the Project and with qualified and experienced staff in numbers and having functions satisfactory to the Association;

(b) not later than December 31, 1993 or such later date as the Association shall agree, cause the CRCAMs and CLCAMs to establish a Federal Union of Savings and Loan Cooperatives with terms of reference and in form acceptable to the Association; and

(c) upon establishment of said Federal Union and if the said Federal Union and the Association shall so agree, convert the UCP into a technical support unit of such Federal Union.

Section 3.04. The Borrower shall, not later than two months after the conclusions of the financial and management audit referred to in paragraph 2 (b) (ii) of Schedule 1 to this Agreement shall have been accepted by the Association and the Boards of Directors of the CRCAMs and CLCAMs, cause the CRCAMs and CLCAMs to

reorganize their operations in accordance with said conclusions.

Section 3.05. The Borrower shall: (a) not later than December 31, 1990 furnish to the Association a report of scope and detail satisfactory to the Association evaluating the performance of all salaried staff of each of the CRCAMs and CLCAMS; and

(b) not later than two months after such report shall have been accepted by the Association and the Boards of Directors of the CRCAMs and CLCAMS, cause the CRCAMs and CLCAMS to implement the recommendations of such report.

Section 3.06. The Borrower shall:

(a) cause the CRCAMs and CLCAMS to operate a collective account (the Recapitalization Account) in a bank acceptable to the Association and under terms and conditions satisfactory to the Association.

(b) authorize the CRCAMs and CLCAMS to transfer freely funds out of the Recapitalization Account to any other bank acceptable to the Association.

Section 3.07. The Borrower shall:

(a) cause CRCAMs and CLCAMS to conduct their operations in accordance with the lending policies set forth in Schedule 4 to this Agreement;

(b) allow CRCAMs and CLCAMS full autonomy in:

(i) the hiring, dismissal and remuneration of their staff subject to the Borrower's employment and labor laws; and

(ii) the determination of interest rates in savings and loan transactions subject to the Borrower's usury laws; and

(c) take all required steps to prevent interference by any of its local or regional political and administrative authorities in the financial and credit operations of the CRCAMs and CLCAMS and to enable the CRCAMs and CLCAMS to recover all overdue loan payments.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain and cause the CRCAMs and CLCAMS to 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 the Borrower and the CRCAMs and CLCAMS responsible for carrying out the Project or any part thereof.

(b) The Borrower shall and shall cause the CRCAMs and CLCAMS to:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the IUCP, the Special Account and the Recapitalization Account, for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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 and shall cause the CRCAMs and CLCAMS to:

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

(a) Loi number 89-014 dated May 12, 1989 of the Borrower or the statutes established pursuant to Section 6.01 (c) of this Agreement have been amended, suspended, abrogated or repealed so as to affect materially and adversely the ability of the CRCAMs or CLCAMs to carry out the Project or their operations; and

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or loan 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, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has entered into Cofinancing Agreements with Cofinanciers acceptable to the Association under which the Cofinanciers have committed an aggregate amount equivalent to at least five million seven hundred thousand dollars (\$5,700,000) to assist in financing the Project under terms and conditions satisfactory to the Association;

(b) all conditions precedent to the effectiveness of the Cofinancing Agreements, with the exception of the effectiveness of this Agreement, have been fulfilled;

(c) the Borrower has established new model statutes, acceptable to the Association, governing the operations of savings and loan cooperatives;

(d) the Borrower has established the UCP in accordance with Section 3.03 (a) of this Agreement and has appointed thereto a project manager, a financial and administrative manager, a training and development manager and a chief inspector; and

(e) the Recapitalization Account has been opened and an aggregate amount equivalent to six hundred million Francs CFA (CFAF 600,000,000) has been deposited therein.

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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 302
Cotonou
Republic of Benin

Cable address:

MINFINANCES
Cotonou

Telex:

MIFIN 5009 or
5289

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:

82987 (FTCC)
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.

REPUBLIC OF BENIN

By /s/ Corneille Mehissou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

Regional Vice President

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Vehicles, equipment and vehicle operating costs of the UCP	240,000	100%
(2) Goods and ser- vices for Investment Projects in:		100%
(a) Atacora	80,000	
(b) Borgou	510,000	
(c) Oueme	230,000	
(d) Zou	390,000	
(3) Consultants' services	330,000	100%
(4) Unallocated	220,000	
TOTAL	2,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) under Category 2 in respect of Investment Projects before the Association has received with regard to the CRCAMS and CLCAMS, the following documents satisfactory to the Association:

(i) a copy of their statutes revised in accordance with the model statutes referred to in Section 6.01 (c) of this Agreement;

(ii) a report on credit operations up to September 30, 1989; and

(iii) a financial and management audit for fiscal year 1989 by auditors acceptable to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote a self-sustainable rural financial intermediation system by strengthening the CRCAMS and CLCAMS.

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: Institutional Rehabilitation

1. Consolidation of about 64 secondary CLCAMS with about 35 existing primary CLCAMS.
2. Adoption of new statutes for the CRCAMS and CLCAMS.
3. Establishment of a federal union of savings and loan cooperatives.
4. Improvement of the budgeting, accounting and financial information systems of the CRCAMS and CLCAMS.
5. Training of CRCAM and CLCAM board members, staff and members in accounting, credit management, internal audit procedures and loan administration.
6. Carrying out of a management audit of the CRCAMS and CLCAMS, a financial audit of their accounts and an evaluation of the performance of their personnel followed by a reorganization of such personnel.

Part B: Financial Rehabilitation

1. Recapitalization of the CRCAMS and CLCAMS.
2. Strengthening of the CRCAMS and CLCAMS management through introduction of an administrative accounting system and financial control procedures.

Part C: Credit

Provision of credit to members of the CRCAMS and CLCAM to finance Investment Projects.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Vehicles and equipment 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 People's Republic of Benin 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

Operation and maintenance of vehicles and equipment may be contracted directly from the supplier.

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 each contract for vehicles and equipment for Parts A and B of the Project, 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 I 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.

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

Section II. Employment of Consultants

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.

SCHEDULE 4

Lending Policies for Part C of the Project

Section I.

1. Credit shall finance Investment Projects.
2. Each credit application shall be reviewed by the board of the CRCAM or CLCAM, or by a credit committee appointed by said board, before said board approves the credit.
3. Credit can be either short-term or medium-term.
4. Credit to individuals shall normally be short-term and in amounts up to CFAF 200,000 per credit beneficiary. Credit to groups shall be either short term or medium-term.
5. The total amount of credit committed by a CRCAM shall at no time exceed 50 % of the aggregated deposits of members of that CRCAM. For a CLCAM, such percentage shall be 40%.
6. Credit shall be secured by a lien on assets or a repayment guarantee from several solvent persons, or both.
7. Annual interest rates on credit, fixed by the board of a CRCAM or a CLCAM, shall be not lower than 12% and not higher than 24%.

Section II.

1. A credit beneficiary shall be an individual or group which is a member in good standing of the CRCAM or CLCAM to which it makes its application.
2. A credit beneficiary shall have the equivalent of at least 10% of the amount of credit applied for in savings at the CRCAM or CLCAM to which it makes its application.

Section III.

CRCAMs and CLCAMs shall provide that a credit beneficiary:

- purchase the goods and services for an Investment Project, financed out of the proceeds of the Credit at a reasonable price, following reasonable commercial practices; and
- use the goods and services so purchased exclusively for the Investment Project for which it was provided.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2 and 3 set forth in the table in paragraph 1 of Schedule I 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 CFAF 160 million to be withdrawn from the Credit Account and deposited into 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 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) 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; (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.

