

CONFORMED COPY

CREDIT NUMBER 2108 SE

Development Credit Agreement

(Agricultural Services Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 1990

CREDIT NUMBER 2108 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 24, 1990, between REPUBLIC OF SENEGAL (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;

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 and the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters, dated September 17, 1987, September 25, 1987, August 23, 1989, and September 11, 1989, between the Borrower and the Association;

(c) "MDR" means the Ministere du Developpement Rural, of the Borrower;

(d) "DA" means the Direction de l'Agriculture within MDR;

(e) "DE" means the Direction de l'Elevage within the Ministere Delegue aupres du MDR charge des Ressources Animales;

(f) "SAED" means Societe Nationale d'Amenagement et d'Exploitation des Terres du Delta du Fleuve Senegal et des Vallees du Fleuve Senegal et de la Faleme, a "Societe Nationale" of the Borrower established pursuant to Law No. 81-57, dated July 10, 1981;

(g) "ISRA" means the Institut Senegalais de Recherches Agricoles, an Etablissement public a caractere industries et commercial of the Borrower established pursuant to the Borrower's Law No. 74-53, dated November 4, 1974;

(h) "Extension Management Unit" means the Direction du Programme National de Vulgarisation Agricole established pursuant to the Borrower's Arrete No. 004334 dated April 11, 1990;

(i) "SODEVA" means the Societe de Developpement et de Vulgarisation Agricole, a societe anonyme established and operating under the laws of the Borrower;

(j) "SAED Protocol d'Accord" means the agreement to be entered into by the Borrower and SAED pursuant to the provisions of Section 3.02 (a) of this Agreement;

(k) "SODEVA Protocol d'Accord" means the agreement to be entered into by the Borrower and SODEVA pursuant to the provisions of Section 3.02 (b) of this Agreement;

(l) "ISRA Protocol d'Accord" means the agreement to be entered into by the Borrower and ISRA pursuant to the provisions of Section 3.02 (c) of this Agreement; and

(m) "Protocols d'Accords" means, collectively, the SAED Protocol d'Accord, the SODEVA Protocol d'Accord, and the ISRA Protocol d'Accord.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or

referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirteen million Special Drawing Rights (SDR 13,000,000).

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 FCFA special account in a commercial 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 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1994, 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 forth 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 February 1 and August 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 semi-annual installments payable on each February 1 and August 1, commencing August 1, 2000, and ending February 1, 2030. Each installment to and including the installment payable on February 1, 2010, 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 of 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 Part A. 1 of the Project through DA and DE, Part A.2 of the Project through DA, Part A.3 of the Project through DE, Parts B and D of the Project through the Extension Management Unit, Part E of the Project through MDR, shall cause SAED to carry out Part A.4 of the Project, shall cause SODEVVA to carry out Part A.5 of the Project, and shall cause ISRA to carry out Part C of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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 Section 3.01 (a), the Borrower shall establish and maintain during execution of the Project, an account for the purpose of making its contribution available for the purpose of the Project and make deposits, in a timely manner, into such account.

Section 3.02. (a) For the purpose of carrying out Part C of the Project, the Borrower shall enter with SAED into an agreement (the SAED Protocol d'Accord) whose terms and conditions shall be acceptable to the Association, which shall include the responsibilities of SAED regarding the carrying out of Part A.4 of the Project, and the provision for the transfer of the proceeds of the Credit required for the carrying out of Part A.4 of the Project on a non-reimbursable basis.

(b) For the purpose of carrying out Part A.5 of the Project, the Borrower shall enter with SODEVA into an agreement (the SODEVA Protocol d'Accord) whose terms and conditions shall be acceptable to the Association, which shall include the responsibilities of SODEVA regarding the carrying out of Part A.5 of the Project, and the provision for the transfer of the proceeds of the Credit required for the carrying out of Part A.5 of the Project on a non-reimbursable basis.

(c) For the purpose of carrying out Part B of the Project, the Borrower shall enter with ISRA into an agreement (the ISRA Protocol d'Accord) whose terms and conditions shall be acceptable to the Association, which shall include the responsibilities of ISRA regarding the carrying out of Part B of the Project, and the provision for the transfer of the proceeds of the Credit required for the carrying out of Part B of the Project on a non-reimbursable basis.

(d) The Borrower shall exercise its rights under the Protocols d'Accords in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Protocols d'Accords or any provision thereof.

Section 3.03. 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 3.04. By June 30, 1992, the Borrower shall review with the Association the progress made in the execution of the Project, in particular in view of the further geographic extension of the Programme National de Vulgarisation Agricole, the performance of the SAED, SODEVA, and ISRA under the respective Protocol d'Accord and shall cause SODEVA, SAED and ISRA to participate in such review. In case that during such review problems shall be identified relating to the execution of the Project, the Borrower shall take adequate measures to remedy them.

Section 3.05. During execution of the Project, the Borrower shall maintain the Central Accounting and Procurement Unit, referred to in Section 6.01 (a) of this agreement with adequate responsibilities and staff and employ, at all times, for such unit a chief accountant with qualifications and experience acceptable to the Association.

Section 3.06. By December 31, 1990, the Borrower shall submit to the Association model plans for rehabilitation of the buildings of the provincial inspections of DA and DE and of livestock posts.

Section 3.07. (a) During execution of the Project,

the Borrower shall maintain a national committee for agricultural research, to be chaired by the Director of the Extension Management Unit and to include representatives of research, extension and development agencies.

(b) By April 30, 1990, the Borrower shall establish six regional technical committees, to be chaired by one of the extension agencies and to include extension and research representatives and representatives of the farming community.

(c) The Borrower shall take all necessary actions that the committees referred to in paragraphs (a) and (b) of this Section shall meet at least semiannually.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

- (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 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) SODEVA, SAED or ISRA shall have failed to perform any of their respective obligations under the respective Protocol d'Accord.
- (b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SODEVA, SAED and ISPA will be able to perform their respective obligations under the Project.
- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SODEVA, SAED and ISRA or for the suspension of their operations.

Section 5.02. Pursuant to Section 7,01 (b) of the General Conditions, the following additional events are Specified:

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

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) a Central Accounting and Procurement Unit within the Extension Management Unit has been established and a chief accountant, with qualifications and experience acceptable to the Association, has been appointed for such unit; and
- (b) the SAED Protocol d'Accord, the SODEVA Protocol d'Accord and the ISRA Protocol d'Accord have been signed in accordance with the provisions of Section 3.02 (a) through (c) of this Agreement.

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 the Borrower at the time responsible for finance 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:

Ministere de l'Economie et des Finances
Rue Charles Laine
B.P. 4017
Dakar
Senegal

Cable address:	Telex:
MINIFINANCES Dakar	32035 GS

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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.

REPUBLIC OF SENEGAL

By /s/ Ibra Deguene KA
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

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) Civil works	300,000	100%
(2) Equipment	650,000	100%
(3) Vehicles	1,200,000	100%
(4) Training	2,400,000	100%
(5) On-farm research trials	1,500,000	100%
(6) Salaries	650,000	100%
(7) Operating costs	3,250,000	75% up to an aggregate amount of SDR 2,500,000 and 50% thereafter
(8) Consultants' services	750,000	100%
(9) Refunding of Project Preparation Advance	1,300,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(10) Unallocated	1,000,000	
TOTAL	13,000,000	

2. For the purposes of this Schedule the term operating costs means expenditures related to operation and maintenance of vehicles and equipment and allowances of field staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve agricultural support services to farmers and herders.

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: Extension Service Improvement

1. Strengthening of DA's and DE's field extension activities through training and provision of equipment, vehicles and motorcycles.

2. Renovation of buildings of about ten Inspections Regionales de l'Agriculture of DA.

3. Renovation of buildings of about ten selected veterinary posts and four Inspections Regionales de l'Elevage of DE.

4. Reorganization and strengthening of SAED's extension service through training of its extension staff and provision of motorcycles and vehicles.

5. Strengthening of SODEVA's extension service through training of its extension staff and provision of motorcycles and vehicles.

Part B: Extension Management Unit

1. Strengthening of the Extension Management Unit through provision of equipment and vehicles.

2. Implementation of an effectiveness monitoring system of extension activities of DA, DE, SAED and SODEVA.

3. Carrying out of studies for the improvement of the extension monitoring system and communication techniques.

Part C: On Farm Trials

Carrying out of a farm research at least 500 farmers' plots in selected areas and provision of vehicles.

Part D: Functional Literacy and Training of Farm Leaders

1. Training of extension staff in functional literacy training techniques.

2. Carrying out of functional literacy training programs for about 10,000 farmers and herders.

3. Carrying out of seminars through producer organizations to inform farm leaders about the extension system, and organization of at least three one-day meetings to be held each season among regional responsible for extension, extension staff and farm leaders.

Part E: Ministry of Rural Development

Strengthening of the analytical capacity of MDR in the formulation and evaluation of rural development policies, project appraisal and performance monitoring of project execution and provision of training, equipment and vehicles therefore.

* * *

The Project is expected to be completed by June 30, 1994.

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 Senegal 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 estimated to cost less than the equivalent of \$100,000 up to an aggregate amount of the equivalent of \$1,000,000 may, and civil works shall, be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than the equivalent of \$30,000 per contract up to an aggregate amount equivalent of \$300,000 may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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 estimated to cost the equivalent of \$100,000 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 4 to 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 in the carrying out 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) 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 of 350 million FCFA 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 have 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 into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment: or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and 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 aggregate of the amounts referred to in paragraph 1 (c) of this Schedule.

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.

