

CONFORMED COPY

CREDIT NUMBER 2442-CE

Development Credit Agreement

(Community Water Supply and Sanitation Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1992

CREDIT NUMBER 2442-CE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1992, between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Area" means the districts of Badulla, Matara and Ratnapura.

(b) "Program Unit" means the Community Water Supply and Sanitation Program Unit referred to in Part 1 of Schedule 4 to this Agreement.

(c) "Partner Organization" means an entity selected in accordance with criteria satisfactory to the Association which has entered into an agreement with the Program Unit pursuant to Part 4 (c) of Schedule 4 to this Agreement.

(d) "Community Based Organization" means an organization established pursuant to Section 3 (b) of the Societies Ordinance which has entered into an agreement pursuant to Part 5 (b) of Schedule 4 to this Agreement.

(e) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 3, 1992 and March 10, 1992 between the Borrower and the Association.

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

(g) "Rupees" and "Rs" means Rupees in the currency of the Borrower.

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 sixteen million nine hundred thousand Special Drawing Rights (SDR 16,900,000).

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 dollars a special deposit account in a bank 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.

(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, 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 March 1 and September 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 March 1 and September 1 commencing March 1, 2003 and ending September 1, 2032. Each installment to and including the installment payable on September 1, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

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

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

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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained by the Program Unit, Partner Organizations and Community Based Organizations, 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 of the Program Unit 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 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 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:

(a) staff with qualifications and experience, and in numbers satisfactory to the Association have been appointed to the head office in Colombo of the Program Unit referred to in Part 1 of Schedule 4 to this Agreement and are in place; and

(b) consultants referred to in Part 2 of Schedule 4 to this Agreement, have been employed.

Section 5.02. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. The Secretary, Ministry of Finance of the Borrower 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:

Ministry of Finance
Democratic Socialist Republic of Sri Lanka
Colombo, Sri Lanka

Cable address:

SECMINFIN
Colombo

Telex:

FINMIN 21409
FORAID 21232

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 (FTCC)
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.

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By /s/ Ananda W.P. Gurug 1
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ P. Isenman
Acting Regional Vice President
South Asia

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) Badulla district		
(a) Civil works	2,100,000	65%
(b) Goods	1,050,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2) Matara district		
(a) Civil works	1,400,000	65%
(b) Goods	700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally

(3) Ratnapura district

(a) Civil works	2,100,000	65%
(b) Goods	1,050,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Program Unit operating costs	1,100,000	100%
(5) Consultants services and training	5,550,000	100%
(6) Refunding of Project Preparation Advance	500,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,350,000	
TOTAL	16,900,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Program Unit operating costs" means salaries of Program Unit additional staff, and Program Unit vehicle and office operation and maintenance.

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

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

(b) in respect of expenditures under Category (1) in Badulla district, unless and until staff with qualifications and experience, and in numbers satisfactory to the Association have been appointed to the Program Unit branch in Badulla district referred to in Part 1 of Schedule 4 to this Agreement;

(c) in respect of expenditures under Category (2) in Matara district, unless and until staff with qualifications and experience,

and in numbers satisfactory to the Association have been appointed to the Program Unit branch in Matara district referred to in Part 1 of Schedule 4 to this Agreement; and

(d) in respect of expenditures under Category (3) in Ratnapura district, unless and until staff with qualifications and experience, and in numbers satisfactory to the Association have been appointed to the Program Unit branch in Ratnapura district referred to in Part 1 of Schedule 4 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to develop and implement sustainable community initiated water supply and sanitation schemes, and hygiene education in the Project Area; and (ii) to prepare for application beyond the Project Area, the community based approach for water supply and sanitation schemes, and hygiene education.

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: Program Development

Provision of assistance by Partner Organizations to Community Based Organizations for the preparation of water supply and sanitation schemes, and hygiene education.

Part B: Water Supply

Supply of potable water through the construction of protected wells, hand pump wells, spring source gravity schemes, and/or pumped supplies.

Part C: Sanitation

Construction and upgrading of latrines for:

1. Individual households;
2. Schools; and
3. Pre-school institutions.

Part D: Hygiene Education

Hygiene education through media campaigns and training.

Part E: Training

Training for those involved in Parts A, B, C and D of the Project.

Part F: Project Management

1. Establishment and maintenance of a Program Unit with a head office in Colombo, and a branch office in Badulla, Matara, and Ratnapura districts, respectively.
2. Promotion of private sector participation in water supply and sanitation system maintenance.

Part G: Technical Assistance

Provision of technical assistance:

1. through the establishment and maintenance of a Technical Support Cell to advise the Program Unit;

2. for studies and research to complement activities under the Project; and

3. to prepare future community based water supply and sanitation projects.

* * *

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

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 1992 (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 Sri Lanka 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. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works estimated to cost the equivalent of \$7,500 or less per contract, up to an aggregate amount equivalent to \$7,000,000, may be procured in accordance with procedures acceptable to the Association.

3. Goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$3,500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. Goods estimated to cost the equivalent of \$7,500 or less per contract, up to an aggregate amount equivalent to \$2,000,000, may be procured 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 5 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.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Institutions

1. The Borrower shall, under Part F of the Project, establish and thereafter maintain with staff, responsibilities and resources satisfactory to the Association, a Program Unit with a head office in Colombo, and a branch office in Badulla, Matara and Ratnapura districts, respectively.

2. The Borrower shall employ, for the Technical Support Cell under Part G.1 of the Project, consultants in accordance with the procedure set forth in Section II of Schedule 3 to this Agreement.

3. The Borrower shall establish and thereafter maintain with membership, responsibilities and resources satisfactory to the Association, a National Steering Committee, and a District Coordinating Committee in Badulla, Matara and Ratnapura, respectively.

Partner Organizations

4. The Borrower shall cause the Program Unit:

(a) to select Partner Organizations in accordance with criteria satisfactory to the Association;

(b) to furnish to the Association for approval, Partner Organizations eligibility assessments;

(c) to enter into an agreement with Partner Organizations approved by the Association, on terms and conditions satisfactory to the Association, to implement schemes under the Project; and

(d) to ensure that such Partner Organizations continue to satisfy the eligibility criteria, and suspend participation of Partner Organizations which fail to satisfy said criteria.

Community Based Organizations

5. The Borrower shall cause each Partner Organizations:

(a) to select Community Based Organizations in accordance

with criteria satisfactory to the Association;

(b) to enter into an agreement with a Community Based Organization and the Program Unit, on terms and conditions satisfactory to the Association, to implement schemes under the Project; and

(c) to ensure that such Community Based Organization continue to satisfy the eligibility criteria, and suspend participation of Community Based Organizations which fail to satisfy said criteria.

Schemes

6. The Borrower shall cause the Program Unit:

(a) to select schemes for program development, water supply, sanitation and hygiene education under the Project, in accordance with criteria satisfactory to the Association;

(b) to ensure that such schemes shall be carried out in accordance with design standards satisfactory to the Association;

(c) to furnish to the Association for approval the first program development agreement and the first water supply, sanitation or hygiene education agreement of an Partner Organization referred to in Part 4 (c) of this Schedule; and

(d) to furnish to the Association the proposal for any scheme estimated to cost more than Rs 2,000,000.

Cost Recovery

7. The Borrower shall, with respect to Part B of the Project:

(a) cause Community Based Organizations to contribute at least 20% of the direct capital cost of each water supply scheme, except that for tube-wells the contribution is to be at least 10% of the direct capital cost.

(b) cause Community Based Organizations to assume responsibility for operation and maintenance of completed water supply schemes including the establishment and collection from beneficiaries of charges sufficient to cover the cost of operation and maintenance related to each water supply scheme; and

(c) cause its agencies and Community Based Organizations to establish and collect charges from beneficiaries on piped schemes sufficient to cover the cost of operation and maintenance and the larger of depreciation or debt service.

Action Plan

8. (a) The Borrower shall implement the Project in accordance with an action plan satisfactory to the Association.

(b) The Borrower shall by March 1, 1993 and by each January 1 thereafter review and update the action plan in accordance with procedures satisfactory to the Association.

Schemes in Project Area

9. The Borrower shall apply the policies, criteria and procedures established under the Project, to all schemes in the Project Area for rural water supply, sanitation, and hygiene education.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 \$1,200,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

