

CONFORMED COPY

CREDIT NUMBER 2347 NEP

(Power Sector Efficiency Project)

between

KINGDOM OF NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 1992

CREDIT NUMBER 2347 NEP

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 15, 1992, between KINGDOM OF NEPAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower is seeking to contract from the Government of France financing in an amount equivalent to five million one hundred thousand dollars (\$5,100,000) to assist in financing Parts C (ii) and F.2 of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Government of France;

(C) the Borrower is seeking to contract from the Government of the Federal Republic of Germany a grant in an amount equivalent to four million two hundred thousand dollars (\$4,200,000) to assist in financing Parts E (i) and E (ii) of the Project on the terms and conditions set forth in an agreement to be entered into by the Borrower and the Government of the Republic of Germany;

(D) the Borrower is seeking to contract from the Nordic Development Fund (NDF) a loan (the NDF Loan) in an amount equivalent to four million Special Drawing Rights (SDR 4,000,000) to assist in financing Parts B.5 and E (iv) of the Project on the terms and conditions set forth in an agreement (the NDF Loan Agreement) to be entered into by the Borrower and NDF;

(E) the Project will be carried out by Nepal Electricity Authority (NEA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NEA part of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and NEA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NEA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(c) "NEA" means Nepal Electricity Authority, a corporation wholly owned by the Borrower, established on August 17, 1985 by virtue of the NEA Act;

(d) "Project Agreement" means the agreement between the Association and NEA, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(e) "NEA Act" means the Nepal Electricity Authority Act, 1984, an Act providing for the establishment and management of NEA;

(f) "Fiscal Year" and "FY" mean July 16 to July 15; and

(g) "Investment Program" means NEA's investment program for the period 1991 to 1997 as agreed upon among the Borrower, the Association and NEA.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty eight million one hundred thousand Special Drawing Rights (SDR 48,100,000).

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 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 Nepal Rastra Bank (the Central 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.

Section 2.03. The Closing Date shall be December 31, 1997 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 semi-annually on October 1 and April 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 October 1 and April 1 commencing April 1, 2002 and ending October 1, 2031. Each installment to and including the installment payable on October 1, 2011 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:

- (i) shall carry out Parts D, E (i), E (ii) and E (iii) of the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause NEA to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NEA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 Parts D, E (i), E (ii) and E (iii) of the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

(c) The Borrower shall relend forty five million Special Drawing Rights (SDR 45,000,000) to NEA under a subsidiary loan agreement to be entered into between the Borrower and NEA, under terms and conditions satisfactory to the Association which shall include, inter alia, interest at the rate of 10.25% per annum, a term of twenty five years including a grace period of five years, and the provision that the Borrower shall bear the foreign exchange risk.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement 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 Subsidiary Loan Agreement or any provision thereof.

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 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A, B.1, B.2, B.3, B.4, C (i), F.1 and G of the Project shall be carried out by NEA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. In order to assist the Borrower in carrying out Parts D and E (iii) 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.

Section 3.05. The Borrower shall cause NEA to adopt and thereafter implement, to the satisfaction of the Association, the insurance program provided for under Section 4.03 of the Project Agreement.

ARTICLE IV

Financial and Other 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 Parts D and E (iii) of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than twelve 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 for the Project were made on the basis of statements of expenditure, the Borrower shall, and, where appropriate, shall cause NEA to:

- (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 Bank 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.

Section 4.02. The Borrower shall, in connection with any and all future on-lending by it to NEA, and irrespective of the source of the Borrower's funds, undertake to duly enter, and cause NEA to duly enter, into such subsidiary loan agreements as shall be required to lawfully and accurately document such future on-lending transactions.

Section 4.03. The Borrower hereby undertakes to cause all future projects in the power sector that shall be financed solely by the Borrower to be included in the Investment Program.

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) NEA shall have failed to perform any of its obligations under the Project Agreement.

(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 NEA will be able to perform its obligations under the Project Agreement.

(c) NEA Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NEA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NEA or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

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

(b) any event specified in paragraphs (c) and (d) 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) the Subsidiary Loan Agreement has been duly executed on behalf of the Borrower and NEA;

(b) the Borrower and NEA have duly entered into a

performance contract whose terms and conditions shall be satisfactory to the Association;

(c) NEA has employed consultants with terms of reference and qualifications acceptable to the Association for purposes of supervising implementation of Parts A, B.1, B.2, B.3 and B.4 of the Project;

(d) NEA has invited contract bids for the provision of materials and equipment under Parts A, B.1, B.2, B.3 and B.4 of the Project; and

(e) all conditions precedent to the effectiveness of the NDF Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by NEA, and is legally binding upon NEA in accordance with its terms;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NEA and is legally binding upon the Borrower and NEA in accordance with its terms; and

(c) that the Performance Contract has been duly authorized or ratified by the Borrower and NEA and is legally binding upon the Borrower and NEA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.01(a), 4.01(b) and 4.03 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty five years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
His Majesty's Government of Nepal
Kathmandu, Nepal

Cable address:

Telex:

ARTHA
Kathmandu, Nepal

2249-NP

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.

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.

KINGDOM OF NEPAL

By /s/ Yog Prasad Upadhyay
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
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) Materials, equipment and related installation works	21,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Civil works	11,900,000	100% of foreign expenditures and 65% of local expenditures
(3) Consultants' services	5,600,000	100%
(4) Studies and works under Part G of the Project	3,700,000	100%
(5) Unallocated	5,300,000	

TOTAL 48,100,000
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2. For the purposes of this Schedule:

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

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

(c) 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 increase NEA's power generating capacity toward meeting projected demand and to strengthen its financial, managerial, technical and administrative capabilities, and to generally enhance energy conservation measures.

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: Rehabilitation and Upgrading of Existing Hydroelectric Facilities:

Rehabilitation of the Trisuli and Devighat hydroelectric plants through the provision of (i) civil works; and (ii) electro-mechanical equipment.

Part B: Reinforcement of HV Transmission System:

1. Increase of the 66 kV circuit capacity to improve voltage regulation and reliability.

2. Upgrading of the 66/11 kV transformer capacity at existing substations and the construction of two substations in the vicinity of the load centers in Kathmandu.

3. Construction of about 5 km of 132 kV line as an intertie between the Marsyangdi and Kulekhani plants and about 35 km of 132 kV line between Duhabi and Bhandabari.

4. Reinforcement of the line between Bhakhtapur and New Chabel.

5. Provision of equipment, spare parts and tools for the Western, Eastern and Bagmati transmission sections.

Part C: NEA's Facilities

Provision of (i) materials, equipment and vehicles for purposes of upgrading NEA's headquarters, workshops and training center; and (ii) training equipment.

Part D: Energy Audit Unit

Provision of equipment and consultants' services for the establishment at the Ministry of Industry of an energy audit unit for purposes of providing advisory services aimed at assisting local industries in implementing energy conservation measures.

Part E: Marsyangdi Catchment Management Pilot Plan

Provision of materials, equipment and consultants' services for purposes of implementing in the Marsyangdi catchment a pilot project consisting of (i) a soil conservation and sediment reduction program; (ii) institutional support to the Ministries of Local Development and Forests and Soil Conservation; (iii) the upgrading of the Dumre-Besisahar road; and (iv) the electrification of the Besisahar area and the vicinity thereof.

Part F: Technical Assistance

1. Provision of technical assistance to NEA in the areas of project implementation and institutional building.
2. Training of NEA staff.

Part G: New Hydroelectric Projects

Carrying out of preparatory studies and works for new hydroelectric projects.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Implementation Program

The Borrower shall:

(a) not later than August 31, 1992, establish, within the Borrower's Ministry of Industry, an energy audit unit and employ a manager for the said unit acceptable to the Association;

(b) not later than August 31, 1992, establish a project office within the Borrower's Ministry of Works and Transport for purposes of upgrading the Dumre-Besisahar road and employ a project manager acceptable to the Association;

(c) carry out an action plan, the terms of which shall be acceptable to the Association, which shall provide, among other things, for (i) the remittance by all governmental subscribers to NEA of all electricity charges billed to such subscribers and outstanding as of July 15, 1990, and of all electricity charges billed to the same subscribers during FY91, as shall be outstanding from time to time; and (ii) the undertaking by all governmental subscribers to remit all of their electricity charges to NEA within three months from receiving the bills substantiating such charges; and

(d) reimburse NEA, in a manner and pursuant to time schedules acceptable to the Association, for the annual losses incurred by NEA after July 15, 1992, in connection with its rural electrification operations. The scope of the said operations, which shall be defined and agreed upon between the Borrower and NEA not later than August 31, 1992, shall be satisfactory to the Association.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$500,000 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; (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.

