

CONFORMED COPY

CREDIT NUMBER 2082 MOZ

Development Credit Agreement
(Small and Medium Enterprise Development Project)

between

PEOPLE'S REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 7, 1990

CREDIT NUMBER 2082 MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 7, 1990, between PEOPLE'S REPUBLIC OF MOZAMBIQUE (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 intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to six million ECU (ECU 6,000,000) to assist in financing Parts A and B.4 of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(C) the Project will be carried out by Banco de Mocambique (BM) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to Banco de Mocambique 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 Banco de Mocambique;

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) "BM" and "BM/Central" mean Banco de Mocambique, the Borrower's Central Bank established pursuant to its Statutes;

(b) "BM/Commercial" means the respective departments and units of BM responsible for commercial functions including lending to FBs;

(c) "Project Agreement" means the agreement between the Association and BM, 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;

(d) "Subsidiary Administration Agreement" means the agreement to be entered into between the Borrower and BM pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Administration Agreement;

(e) "Statutes" means the statutes of BM, approved by Decree No. 2/75 of the Borrower, dated May 17, 1975, as amended to the date of this Agreement;

(f) "PFI" and "Participating Financial Institution" mean each commercial bank, development bank or credit institution acceptable to the Institution to which BM under an agreement (a "Participating Agreement") with such bank or institution, has lent proceeds of the credit for relending to final beneficiaries for Subprojects;

(g) "FB" and "Final Beneficiary" mean a small and medium-scale enterprise legally established and operating in the territory of the Borrower in the sectors of agro-related industries, mining, quarrying, manufacturing, processing, construction, transport and commercial services which meets the criteria set forth in paragraph B.1 of Schedule 1 to the Project Agreement and to or for which a PFI has made or proposes to make a Sub-loan for a Subproject, as hereinafter defined;

(h) "UGP" means Unidade de Gestao de Projectos, the apex unit established within the Departamento de Relacoes Internacionais of BM pursuant to paragraph A of Schedule 3 to the Project Agreement;

(i) "MIE" means the Ministry of Industry and Energy of the Borrower;

(j) "IDIL" means Instituto Nacional de Desenvolvimento da Industria Local, the National Institute for development of local industry established and operating pursuant to its Statutes approved by Decree No. 6/88 of the Borrower, dated April 18, 1988;

(k) "CI" means Comissao Interdepartamental, the project steering committee established pursuant to the letter of the Governor of Banco de Mocambique dated September 19, 1989, and with the functions and responsibilities set forth in paragraph B of Schedule 3 to the Project Agreement;

(l) "Sub-loan" means a loan or credit made or proposed to be made by a PFI to a FB for a Subproject, as hereinafter defined, out of the equivalent of the proceeds of the Credit made available to BM under the Subsidiary Loan Agreement;

(m) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph A.4 (b) of Schedule 1 to the Project Agreement;

(n) "Subproject" means: (i) a new specific development project; and (ii) an expansion of an existing project, to be carried out by an FB utilizing the proceeds of a Sub-loan;

(o) "Metical" and "Meticais" mean the currency of the Borrower;

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

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated December 27, 1988 and January 26, 1989, between the Borrower and the Association; and

(r) "fiscal year" or "FY" means the Borrower's fiscal year which runs from January 1 to December 31.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-five million one hundred thousand Special Drawing Rights (SDR 25,100,000).

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: (i) amounts paid (or, if the Association shall so agree, to be paid) under Part A of the Project by BM on account of withdrawals made by a Final Beneficiary under a Sub-Loan to meet the reasonable cost of goods and services required for the Subproject in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of 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 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 3 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 therefrom be cancelled.

Section 2.03. The Closing Date shall be December 31, 1996, or such later date as the Association shall establish. The Association shall promptly notify the Borrower and BM of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified

in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing May 15, 2000, and ending November 15, 2029. Each installment to and including the installment payable on November 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

Section 2.09. The Banco de Mocambique is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Description of the Project; Use of Proceeds of the Credit

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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause BM to perform in accordance with the provisions of the Project Agreement all the obligations of BM therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to BM under a subsidiary administration agreement to be entered into between the Borrower and BM under terms and conditions which shall have been approved by the Association.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 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 access to land, respectively) shall be carried out by BM pursuant to Section 2.04 of the Project Agreement.

Section 3.04. The Borrower shall: (a) not later than June 30, 1991, cause BM to prepare a phased program to separate BM's central and commercial banking functions; and (b) promptly thereafter, take all necessary measures to implement said program.

Section 3.05. The Borrower:

(a) shall complete:

- (i) not later than December 31, 1991, an action program to settle lending arrears of the commercial banking institutions, including BM/Commercial, to be designed on the basis of the agreements entered into between the Borrower, through BM/Central, and the commercial banking institutions; and
- (ii) not later than June 30, 1992, an action program to undertake the rehabilitation of the Borrower's banking system including, inter alia: (A) a plan for its recapitalization; (B) performance benchmarks in terms of capitalization ratios and arrears ratios; and (C) a program for the extension of competition within the banking sector; and

(b) promptly thereafter, take all necessary measures to implement the action programs referred to in paragraph (a) of this Section.

Section 3.06. The Borrower and BM shall review jointly with the Association:

(a) not later than March 31, 1991, and not later than March 31 of each year thereafter until the completion of the Project:

- (i) progress achieved in Project implementation and meeting Project objectives;
- (ii) progress achieved in the implementation of the action programs referred to in Sections 3.04 and 3.05 of this Agreement;
- (iii) onlending terms and conditions under Part A of the Project including progress on achieving positive weighted average real lending interest rates;
- (iv) audited financial statements of the PFIs; and
- (v) ongoing and future initiatives to cofinance the Project;

(b) not later than March 31, 1991, the proposals for industrial policy reform prepared by the Borrower on the basis of the Business Environment Study; and

(c) promptly thereafter, implement the recommendations arising out of said joint reviews, in accordance with an action program and a timetable agreed with the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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 sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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 nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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 withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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) BM 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 this Agreement, an extraordinary situation shall have arisen which shall make it improbable that BM will be able to perform its obligations under the Project Agreement.

(c) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations

or financial condition of BM or its ability to carry out the Project or 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 BM 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 BM; and

(b) any of the events specified in paragraph (b), (c) or (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 this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Administration Agreement has been entered into by the Borrower and BM, pursuant to Section 3.01 (b) of this Agreement;

(b) UGP has become fully operational and has been staffed with: (i) two senior-level project analysts; (ii) two administrative officers; and (iii) support staff, with qualifications and experience satisfactory to the Association and in accordance with the provisions of paragraph A of Schedule 3 to the Project Agreement; and

(c) BM has prepared and furnished to the Association a copy of duly authorized Participation Agreements entered into between BM and at least two PFIs pursuant to Section 2.02 (a) of this Agreement and of Schedule 1 to the Project 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 that:

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

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

(c) this Agreement and the Project Agreement have been duly ratified by the Borrower's Council of Ministers.

Section 6.03. The date one hundred and twenty (120) 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. Except as provided in Section 2.09 of this Agreement, the Governor of Banco de Mocambique 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:

Banco de Mocambique

		expenditures and 70% of local expenditures
(b) Civil and engineering works; and	8,100,000	100%
(c) Consultants' services under Parts A and B.4 of the Project	1,200,000	100%
(2) Part B.1 of the Project (UGP):		
(a) Goods and services; and	240,000	100%
(b) Operating costs	80,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultants, services and training under Parts B.2 (a) and (b) of the Project	270,000	100%
(4) Goods and services under Part B.2 (c) of the Project	1,600,000	100%
(5) Goods and services under Part B.3 of the Project (IDIL)	330,000	100%
(6) Refunding of PPF	200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	1,280,000	
TOTAL	25,100,000	

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;

(c) the term "training" includes fellowships, conferences, courses and study tours; and

(d) the term "operating costs" means cost of operation and maintenance of equipment, vehicles and buildings used in the execution of Project as described in Schedule 2 to this Agreement.

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

(a) in respect of a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement;

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

(c) in respect of each PFI unless the Association has been furnished for its review with the Model Sub-loan Agreement to be entered into between each PFI and the respective FBs in accordance with the procedures and on the terms and conditions set forth in Schedule 1 to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) support the development of the Borrower's industrial sector through the provision of financial resources and technical assistance to small and medium-scale enterprises; (b) strengthen the financial institutions operating in the territory of the Borrower through the development and rehabilitation of an effective industry financing capability; and (c) assist the Borrower in developing an industrial and financial development policy framework, in particular for the small and medium-scale enterprise sector.

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: Enterprise Financing

Line of Credit to Small and Medium-Scale Enterprises: Financing of specific Investment Projects through Sub-loans granted to Final Beneficiaries (FBs) by Participating Financial Intermediaries (PFIs) with the proceeds of the Credit onlent to them by Banco de Mocambique (BM).

Part B: Technical Assistance and Train

Strengthening of the technical and advisory capabilities referred to below through the acquisition of equipment, vehicles and the provision of technical expertise and training to carry out or coordinate the following activities:

1. UGP

(a) Establishment and operation of UGP.

(b) Strengthening of UGP's Project implementation capabilities.

2. PFIs

(a) Continuation and evaluation of a training program for the staff of PFIs to strengthen their capabilities in the appraisal and supervision of Investment Projects.

(b) Carrying out studies of the financial and industrial sectors within the objectives of the Project.

(c) Strengthening of the accounting capabilities of the PFIs.

3. IDIL

Establishment of pilot small business advisory centers in the cities of Maputo and Beira.

4. Carrying out feasibility studies to identify and appraise Subprojects.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (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, provided, however, that notwithstanding the provisions of paragraph A.4 (b) of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Association shall have authorized withdrawals from the Credit Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(iii) 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 paragraph 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.

