

CONFORMED COPY

CREDIT NUMBER 2579 LA

(Luang Namtha Provincial Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 18, 1994

CREDIT NUMBER 2579 LA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 18, 1994, between LAO PEOPLE'S DEMOCRATIC REPUBLIC (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; and

WHEREAS: (B) The Project, other than Part B (1) thereof, will be carried out by the Province of Luang Namtha ("PLN") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PLN a portion of the proceeds of the Credit as provided in this Agreement;

WHEREAS: (C) Part B (1) of the Project will be carried out by the Borrower's National Water Supply Enterprise ("Nampapa Lao") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Nampapa Lao a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS: (D) 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 PLN.

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) "Central Bank" means the Borrower's Banque Centrale Lao, established and operating pursuant to the Borrower's Prime Ministerial Decree No. 95/PM, dated June 22, 1993;

(b) "DCTPC" means PLN's Department of Communication, Transport, Post and Construction;

(c) "Financing Agreement" means the agreement to be entered into between the Borrower and Nampapa Lao for the purposes of carrying out Part B (1) of the Project, pursuant to the provisions of Sub-sections 3.01 (d) and (e) of this Agreement;

(d) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Borrower's and PLN's financial years, which period commences on October 1 and ends on September 30 in each calendar year, and the term "Fiscal Years" means collectively each of said Fiscal Year;

(e) "Kip" means the unit of currency of the Borrower;

(f) "MCTPC" means the Borrower's Ministry of Communication, Transport, Post and Construction;

(g) "Nampapa Lao" means the Borrower's National Water Supply Enterprise, established and operating under the MCTPC pursuant to Decree No. 021/CBLC of the Borrower's Central Business Leading Committee, dated February 18, 1987, and charged with the responsibility of developing and operating the Borrower's urban water supply;

(h) "PCMU" means the Planning, Coordination and Monitoring Unit to be established by PLN within the office of PLN's Provincial Governor, pursuant to the provisions of Section 2.02 of the Project Agreement (as such term is defined in hereinafter);

(i) "PLN" means the province of Luang Namtha, an administrative sub-division of the Borrower, as established pursuant to the Decision No. 19/PB of the Borrower's Politbureau of the Central Party on the Appointed Committee of the Party Administration of Luang Namtha Province, dated June 15, 1983;

(j) "Project Agreement" means the agreement between the Association and PLN, 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; and

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

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 seven million one hundred thousand Special Drawing Rights (SDR7,100,000).

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 the Banque pour le Commerce Exterieur Lao on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001, 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 per cent (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 September 1, 2004 and ending March 1, 2034. Each installment to and including the installment payable on March 1, 2014, 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 seven hundred and ninety dollars (\$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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause PLN to carry out the Project (except Part B (1) thereof) and perform in accordance with the provisions of the Project Agreement all the obligations of PLN therein set forth, shall cause Nampapa Lao to carry out Part B (1) of the Project and perform in accordance with the provisions of the Financing Agreement all obligations of Nampapa Lao therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PLN and Nampapa Lao to perform their respective obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purpose of carrying out Part B (1) of the Project, the Borrower shall, under a Financing Agreement to be entered into between the Borrower and Nampapa Lao and which shall be acceptable to the Association: (i) make available to Nampapa Lao, out of its own resources, a budgetary contribution in an aggregate amount of at least seven hundred and thirty thousand dollars (\$730,000) equivalent; and (ii) relend to Nampapa Lao from the proceeds of the Credit an amount equal to the equivalent of four hundred and ninety thousand dollars (\$490,000) allocated to Part B (1) of the Project (said amount being hereinafter referred to as the "Sub-loan"), under terms and conditions which shall have been approved by the Association, including, inter alia:

(A) the Sub-loan shall be denominated in kips and the principal amount of the Sub-loan repayable by Nampapa Lao to the Borrower shall be the equivalent in Kip of the outstanding principal (in dollars) of the Sub-loan as valued at the official rate of exchange as determined by the Central Bank on the respective dates on which the proceeds of the Sub-loan are repaid by Nampapa Lao;

(B) Nampapa Lao shall pay interest on the principal amount of the Sub-loan withdrawn and outstanding from time to time at a rate of six percent (6%) per annum; and

(C) Nampapa Lao shall repay the Sub-loan on the basis of

semi-annual installments over a period not to exceed twenty-five (25) years, inclusive of a grace period of five (5) years.

(c) The Borrower shall exercise its rights under the Financing Agreement in such a manner as to protect the interests of the Borrower and the Association, and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Financing Agreement or any provision thereof.

Section 3.02. The Borrower shall take all action necessary to ensure that the road construction and rehabilitation works, to be carried out under Parts (A) (1) and (2) of the Project, respectively, shall be carried out in a manner which ensures that any adverse environmental impact is effectively mitigated in a timely manner which is acceptable to the Association.

Section 3.03. Not later than June 1, 1994, the Borrower shall:

(a) cause MCTPC to employ and thereafter assign to the PCMU a resident road engineer with functions and qualifications and terms of employment satisfactory to the Association for the purposes of assisting in supervising the overall implementation of the Project;

(b) cause MCTPC to employ and thereafter assign to the DCTPC a construction materials technician, with functions and qualifications and terms of employment satisfactory to the Association, for the purposes of assisting DCTPC personnel in construction materials testing and quality control techniques; and

(c) cause Nampapa Lao to assign to its branch office in PLN a resident water supply engineer with functions and qualifications and terms of employment satisfactory to the Association.

Section 3.04. 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 3.05. 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 the Project shall be carried out by PLN pursuant to Section 2.06 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of Nampapa Lao responsible for carrying out Part B (1) of the Project, and of PLN, and of the other departments or agencies of the Borrower responsible for carrying out the Project other than Part B (1) 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 four (4) 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 (1) 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) PLN 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 PLN will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in Paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of ninety (90) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within

the meaning of Section 12.01 (b) of the General Conditions, namely, that PLN shall have established the PCMU, pursuant to the provisions of Section 2.02 of the Project Agreement.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Project Agreement has been duly authorized or ratified by PLN, and is legally binding upon PLN 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 Articles III, IV and V of this Agreement shall cease on the date on which this Agreement shall terminate, or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Minister of Finance
Ministry of Finance
Post Office Box No. 46
Vientiane
Lao People's Democratic Republic

Cable address:	Telex:
MINFINANCE	4369
VIENTIANE	MOF LS

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA),
Washington, D.C.	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.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By /s/ Hiem Phommachanh
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji
Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part A of the Project	2,970,000	95%
(2) Civil works under Part B of the Project	652,000	95%
(3) Vehicles, equip- ment and materials under Parts A and B of the Project except Part B (3) thereof	620,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90%
(4) Vehicles, equip- ment and materials under Part B (3) of the Project	218,000	of local expenditures for other items procured locally
(5) Consultants' services under Part (C) of the Project	1,110,000	100%
(6) Training under Part D of the Project	320,000	100%
(7) Unallocated	1,210,000	
TOTAL	7,100,000	

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; 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Category (4) in respect of Part B (3) of the Project, unless the Borrower shall have furnished to the Association evidence, satisfactory to the Association, that PLN has obtained a minimum contribution amounting to at least one hundred thousand kips (K100,000) equivalent from each village community in respect of each water well to be dug and equipped within such community under Part B (3) of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding fifty thousand dollars (\$50,000) equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in carrying out a development program in PLN designed to enhance the water supply and road transport infrastructure and environmental conditions in PLN and, in particular, to assist PLN's population improve, inter alia, their: (a) standard of living and health and life expectancy; (b) access to hospitals, markets, social services and schools; and (c) level of employment skills

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: Rural Road Rehabilitation and Construction

1. Rehabilitating priority areas of the following two (2) roads: (i) the road from the district of Singh to the sub-district of Xiangkok, via the district of Long, with an aggregate length of about seventy-five (75) kilometers; and (ii) the road from the district of Namtha to the sub-district of Ban Namngeun, with an aggregate length of about seventy-seven (77) kilometers.
2. Carrying out a design survey, based on terms of reference satisfactory to the Association, of a proposed road from the district of Namtha to the district of Nalae.
3. Constructing and rehabilitating office premises for DCTPC personnel.
4. Provision of survey and materials testing equipment and vehicles, for the purposes of carrying out the foregoing activities.

Part B: Water Supply and Sanitation Systems Development

1. Rehabilitating and expanding the water supply facilities in PLN's district of New Namtha, including constructing and rehabilitating office premises for the personnel of Nampapa Lao's provincial office in PLN.
2. Rehabilitating and expanding the water supply service facilities in PLN's districts of Old Namtha and Singh, including installing about thirty (30) standpipes and ten (10) washing facilities.
3. Constructing and installing the necessary facilities and equipment for providing rural water supply in PLN's districts of

Viengpuka and Long, including the provision of about one hundred and fifty (150) wells.

4. Providing individual water sealed latrines to about two thousand five hundred (2,500) household compounds located within PLN's districts of Old Namtha, New Namtha and Singh.

Part C: Institutional Strengthening

1. Providing technical assistance services to PCMU to strengthen its capabilities for: (i) undertaking the overall supervision of the Project; and (ii) assisting PLN's administrative personnel in planning, budgeting, managing and operating provincial government road and water supply and sanitation systems.

2. Providing technical assistance services to strengthen the capabilities of DCTPC's personnel and PLN's provincial authorities in maintaining and improving rural roads.

3. Providing technical assistance services to strengthen the capabilities of MCTPC's personnel, Nampapa Lao's personnel and PLN's provincial authorities in developing, supervising, operating and maintaining water supply and sanitation systems.

Part D: Training (Including Scholarship Programs Abroad)

1. Training of Nampapa Lao's personnel in managing and maintaining provincial water supply and sanitation infrastructure.

2. Training of PLN's and DCTPC's personnel in managing and maintaining provincial road infrastructure.

3. Training of PCMU's personnel in provincial, planning administration and management supervision.

4. Training of construction industry personnel and staff of local construction industry contractors in overall construction project management, cost accounting and procurement.

* * * * *

The Project is expected to be completed by April 30, 2001.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1) through (6) 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 six hundred thousand dollars (\$600,000) 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.

