

CONFORMED COPY

CREDIT NUMBER 1909 CE

(Second Smallholder Rubber Rehabilitation Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 1988

CREDIT NUMBER 1909 CE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 13, 1988, between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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) "Subsidy Act" means the Borrower's Rubber Replanting Subsidy Act, No. 36 of 1953, as amended to the date of this Agreement;

(b) "Replanting Fund" means the Rubber Replanting Subsidy Fund established under the Subsidy Act;

(c) "Control Act" means the Borrower's Rubber Control Act, No. 11 of 1956, as amended to the date of this Agreement;

(d) "Project Coordination Unit" means the Project Coordination Unit as headed by the Project Coordinator referred to in paragraph 5 (b) of Schedule 4 to this Agreement;

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

(f) "Rupees" and "Rs" means Rupees in the Borrower's currency.

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 seventeen million Special Drawing Rights (SDR 17,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in its 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 1 and November 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 semiannual installments payable on each May 1 and November 1 commencing November 1, 1998 and ending May 1, 2028. Each installment to and including the installment payable on May 1, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out or cause to be carried out the Project with due diligence and efficiency and in conformity with appropriate financial, administrative and agricultural practices, and shall provide, promptly as needed, the funds,

facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special 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 were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the

related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified, namely, that the Subsidy Act, the Control Act and any other legislation or regulation of the Borrower governing the rubber sector shall have been amended, suspended, abrogated, repealed, waived, or shall cease to be enforced, so as to materially and adversely affect the Replanting Scheme, the Replanting Fund or the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, that any event specified in Section 6.01 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 monitoring and evaluation committee referred to in paragraph 6 of Schedule 4 to this Agreement, has been established and is in operation; and

(b) the certification procedures referred to in paragraph 7 of Schedule 4 to this Agreement, are in force.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary, Ministry of Finance and Planning 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 and Planning
Democratic Socialist Republic of
Sri Lanka
Colombo, Sri Lanka

Cable address:

SECMINFIN
Colombo

Telex:

FINMIN 21409
FORAID 21232

For the Association:

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

Cable address:

INDEVAS

Telex:

440098 (ITT)

Washington, D.C.

248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By /s/ Susantha de Alwis
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Karaosmanoglu
Regional Vice President
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) Replanting and planting support	13,500,000	100% of local expenditures
(2) Civil works	300,000	80%
(3) Vehicles, equipment and materials	800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally
(4) Consultants' services and training	700,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Incremental	600,000	90% of local

operating costs	expenditures until June 30, 1990, 70% of local expenditures until June 30, 1992, 50% of local expenditures until June 30, 1994, and 30% of local expenditures thereafter
(6) Unallocated	1,100,000
	<hr/>
TOTAL	17,000,000

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 "incremental operating costs" means the expenditures for incremental staff salaries and benefits, travel allowances, offices expenses, and vehicle maintenance and operation; and

(d) the dates in paragraph 1 (Category (5)) of this Schedule refer to dates of receipt by the Association of applications for withdrawals from the Credit Account.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to improve smallholder rubber production and quality; (ii) enhance institutional support to rubber smallholders; and (iii) minimize impact of rubber disease.

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: Field Development

1. Replanting with clonal rubber on smallholdings replacing about 35,500 hectares of overaged rubber.
2. New planting with clonal rubber on about 3,200 hectares of smallholdings.
3. Provision of planting material and technical assistance to rubber smallholders.
4. Implementation of a program to minimize the impact of corynespora rubber disease.

Part B: Processing

Establishment of 20 Latex Collecting and Processing Centers and upgrading of about 80 Group Processing Centers.

Part C: Institutional Development

1. Strengthening of the Rubber Control Department to effectively provide planting material and manage the Replanting Fund, through improvements in equipment and provision of technical assistance and training.
2. Strengthening of the Advisory Services Department to effectively provide services to farmers, through staff recruitment and training, and improvements in equipment and physical plant.
3. Strengthening of the Rubber Research Institute to effectively provide support to smallholders, through establishment of adaptive research substations, and improvements in equipment and physical plant.
4. Support of the Project Coordination Unit.
5. Support of a monitoring and evaluation committee.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$50,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Sri Lanka may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Under Part A of the Project, in accordance with procedures satisfactory to the Association:
 - (a) Field work may be carried out by smallholders using family or hired labor; and
 - (b) Planting materials may be supplied by the Rubber Control Department.
2. Contracts for civil works may be awarded in accordance with competitive bidding procedures satisfactory to the Association.
3. Contracts for goods grouped in packages estimated to cost less than the equivalent of \$50,000, and up to an aggregate amount not exceeding the equivalent of \$500,000, may be awarded in

accordance with competitive bidding procedures satisfactory to the Association.

4. Miscellaneous items estimated to cost less than the equivalent of \$200 each, and up to an aggregate amount not exceeding the equivalent of \$50,000, may be procured on the basis of comparison of quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

1. (a) The Borrower shall, by December 31, 1988, issue directives satisfactory to the Association, for the establishment and operation of Latex Collection and Processing Centers and Group Processing Centers.

(b) The directives shall allow the establishment of a new Latex Collection and Processing Center only after rubber growers owning between them not less than 100 acres of productive rubber, pledge to join the Latex Collection and Processing Centers and to deliver their latex to it.

(c) Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall make budgetary allocation for its fiscal year 1989 and for the following three fiscal years, sufficient to finance the annual establishment of five Latex Collection and Processing Centers and the annual upgrading of at least 20 Group Processing Centers.

(d) The Borrower shall establish, by December 31, 1988, in the Advisory Services Department, a fund satisfactory to the Association to be financed in accordance with the provisions of sub-paragraph (c) above, for the provision to Latex Collection and Processing Centers and Group Processing Centers of:

- (i) loans for 50% of the cost of the establishment of Latex Collection and Processing Centers or upgrading of Group Processing Centers, on terms and conditions satisfactory to the Association which shall include an annual interest rate of 10% with repayment periods of up to 12 years, and which shall be periodically reviewed by the Borrower and the Association; and
- (ii) grants for 50% of the cost of such establishment or upgrading.

Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall make budgetary allocations sufficient to finance the fund.

2. (a) Planting technical assistance satisfactory to the Association shall be provided by Rubber Planting Aides selected in accordance with criteria of the Advisory Services Department. The Borrower shall implement a program satisfactory to the Association for the training of Rubber Planting Aide candidates.

(b) The Borrower shall establish in the Rubber Control Department, and by December 31, 1988 fully finance, a revolving fund satisfactory to the Association, for the provision of the following:

- (i) Loans to nurseries for the establishment of nurseries and for the provision of planting materials and equipment on terms and conditions satisfactory to the Association which shall include an annual rate of interest of 12.5% with repayment periods of up to 5 years, and which shall be periodically reviewed by the Borrower and the Association; and
- (ii) Loans to Rubber Planting Aides for technical equipment on terms and conditions satisfactory to the Association which shall include an annual rate of interest of 12.5% with repayment periods of up to 2 years and which shall be periodically reviewed by the Borrower and the Association.

3. The Borrower shall extend loans to the Advisory Services Department field staff for the purchase of motorcycles on terms and conditions satisfactory to the Association.

4. The Borrower shall complete:

(a) the transfer by December 31, 1989 of the Nursery Inspection Unit from the Rubber Research Institute to the Rubber Control Department; and

(b) the recruitment by December 31, 1990 of qualified staff in adequate numbers to field about 250 Rubber Extension Officers.

5. The Borrower shall maintain:

- (a) in the Rubber Research Institute adaptive research

program, priority to the testing of clones in accordance with criteria satisfactory to the Association; and

(b) in the full-time position of Project Coordinator, a person whose qualifications and experience are satisfactory to the Association.

6. The Borrower shall establish and maintain a monitoring and evaluation committee with composition, resources and terms of reference satisfactory to the Association.

7. The Borrower shall establish and implement procedures satisfactory to the Association for the certification of Replanting Fund payments for planting and replanting of rubber.

8. The Borrower shall, in accordance with terms of reference satisfactory to the Association:

(a) by October 1, 1988 begin a study of the implication of subsidized rubber processing equipment and machinery;

(b) by March 31, 1989 complete the study; and

(c) by September 30, 1989 commence the implementation of the recommendations resulting from the study.

9. The Borrower shall:

(a) by January 1, 1996 cause the rubber replanting cess levied under the Subsidy Act, to be extended to domestically used rubber;

(b) gradually increase the rate of such cess to a level adequate to maintain the Replanting Fund in a positive balance; and

(c) ensure that rubber producer's margins are not adversely affected by said cess increases.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 575,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any 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 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the

Credit Account.

