

CONFORMED COPY

CREDIT NUMBER 3152 IN

Development Credit Agreement

(Uttar Pradesh Sodic Lands Reclamation II Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 4, 1999

CREDIT NUMBER 3152 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 4, 1999, between INDIA, acting by its President (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 (the Project), has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the State of Uttar Pradesh (Uttar Pradesh) and Uttar Pradesh Bhumi Sudhar Nigam (UPBSN) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the Credit available to Uttar Pradesh, as set forth 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 agreement of even date herewith among the Association, Uttar Pradesh and UPBSN (the Project 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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read as follows:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Environmental Management Plan" means the environmental management plan, agreed with the Association, for the periodic monitoring, throughout the Project period, of the input of the Project activities;

(b) "Fiscal Year" or "FY" means the fiscal year of the Borrower, Uttar Pradesh (as hereinafter defined) and UPBSN (as hereinafter defined), which begins on April 1 of a calendar year and ends on March 31 of the following calendar year;

(c) "ha" means hectares;

(d) "Line Departments" means the Departments of Uttar Pradesh participating in the implementation of the Project;

(e) "Main drains" means the drainage system maintained by the Irrigation Department, and discharging into a natural water course;

(f) "NGO" means a non-governmental organization;

(g) "Project Agreement" means the agreement among the Association, Uttar Pradesh and UPBSN 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;

(h) "Project Implementation Plan" means the Project Implementation Plan of the Borrower, Uttar Pradesh and UPBSN for the Project, dated August 17, 1998, and including time-bound action plans, procedures and criteria agreed with the Association;

(i) "Road Maintenance Policy" means the policy set forth in the letter dated September 19, 1998 from Uttar Pradesh to the Association for the maintenance of the road network in Uttar Pradesh;

(j) "Rs" means Rupees in the currency of the Borrower;

(k) "RSAC" means Remote Sensing Application Centre of Uttar Pradesh;

(l) "Special Account" means the account referred to in Section 2.02(b) of

this Agreement;

(m) "UPBSN" means Uttar Pradesh Bhumi Sudhar Nigam (or Uttar Pradesh Land Development Corporation), a government company established under the Companies Act, 1956, as amended to date, and operating according to its Memorandum and Articles of Association dated March 30, 1978, as amended to date;

(n) "UPCAR" means Uttar Pradesh Council of Agricultural Research, a society established and registered under the Societies Registration Act, 1860, as amended to date; and

(o) "Uttar Pradesh" means the State of Uttar Pradesh, a State of the Borrower, or any successor thereto. Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed to be a reference to each of Uttar Pradesh and UPBSN.

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 one hundred forty-one million seven hundred thousand Special Drawing Rights (SDR 141,700,000).

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 may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Reserve Bank of India 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.

Section 2.03. The Closing Date shall be September 30, 2005 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 canceled; 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower

shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing June 1, 2009 and ending December 1, 2033. Each installment to and including the installment payable on December 1, 2018 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 objective of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Uttar Pradesh and UPBSN to perform in accordance with the provisions of the Project Agreement all the obligations of Uttar Pradesh and UPBSN 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 Uttar Pradesh and UPBSN 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 Uttar Pradesh in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Uttar Pradesh and UPBSN pursuant to Section 2.03 of the Project Agreement.

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 expenditures, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound financial management and 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 acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such fiscal 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 related withdrawals; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the following additional events are specified:

- (a) Uttar Pradesh or UPBSN 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 Uttar Pradesh or UPBSN will be able to perform its obligations under the Project Agreement.
- (c) Any change shall have been made in the Memorandum and Articles of Association of UPBSN so as to affect materially and adversely the ability of UPBSN to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(h) 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 (60) days after notice thereof shall have been given by the Association to the Borrower.

(b) The event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the financial management system referred to in paragraph 15 of Schedule 2 to the Project Agreement has been adopted.

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 Uttar Pradesh and UPBSN, and is legally binding upon Uttar Pradesh and UPBSN 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, 110001,
India

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

INDIA

By /s/ V. Govindarajan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Country Director, India

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	42,300,000	80%
(2) Goods	32,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Local transportation costs of gypsum	19,600,000	80%
(4) Consultants' services and training	14,500,000	100%
(5) UPBSN management and supervision fee	13,700,000	100%
(6) Incremental staff and operating costs	5,000,000	80% until March 31, 2001; 60% until March 31, 2003; 40% until March 31, 2005; and 20% until September 30, 2005
(7) Maintenance costs of roads	300,000	80% until March 31, 2002; 60% until March 31, 2003; 40% until March 31, 2004; and 20% until March 31, 2005

(8)	Maintenance costs of drains	400,000	80% until March 31, 2001; 60% until March 31, 2002; 40% until March 31, 2003; and 20% until March 31, 2004
(9)	Unallocated	13,100,000	
	TOTAL	<u>141,700,000</u> =====	

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 "UPBSN management and supervision fee" means an output-based fee to be paid to UPBSN for the costs of individuals employed by UPBSN for purposes of implementing the Project and to be calculated at the rate of Rs 5,100 for each ha of land reclaimed during Fiscal Year 99/00, such rate for each ha of land reclaimed during each subsequent Fiscal Year to be adjusted to reflect a change in the Borrower's wholesale price index from the immediately preceding Fiscal Year;

(d) the term "incremental staff and operating costs" means the incremental costs (A) for salaries, allowances and travel costs of additional staff of the Irrigation Department, the Public Works Department, RSAC and UPCAR engaged on a full time basis in the implementation of the Project and (B) for the operation and maintenance of equipment, vehicles and offices incurred by UPBSN, the Agriculture Department, the Irrigation Department, the Panchayati Raj Department, the Public Works Department, RSAC and UPCAR for purposes of implementing the Project;

(e) the term "maintenance costs of roads" means the costs of works subcontracted by the Public Works Department for the maintenance of rural roads under the Project; and

(f) the term "maintenance costs of drains" means the costs of works subcontracted by the Irrigation Department for the maintenance of main drains under the Project.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods or works or local transportation cost of gypsum under contracts not exceeding \$200,000 equivalent; (b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants, respectively; (c) training and fellowships; and (d) incremental staff and operating costs, and maintenance costs of roads and drains, all 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 Uttar Pradesh and UPBSN in reversing the process of water-induced land degradation (salinization, sodification, groundwater

depletion) and loss of soil fertility, which have resulted in the declining productivity of foodgrains, through sustainable reclamation of sodic lands and prevention of further sodicity in selected districts of Uttar Pradesh.

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 objective:

Part A: Land Reclamation and On-Farm Development

Selection and reclamation of about 150,000 ha of sodic lands through: (i) formation of water user groups; (ii) planning, design, construction and/or improvement of link and field drains; (iii) provision of shallow tubewells and pumpsets to leach salts and to support crop growth; (iv) on-farm development consisting of land leveling and bunding; (v) application of chemical/organic amendments to the soil; and (vi) input support for crop production.

Part B: Main Drain Remodeling and Maintenance

Remodeling and maintenance of about 5,750 km of main drains.

Part C: Technology Dissemination

Establishment of a demand driven technology dissemination system (extension services) through: (i) support for social capacity enhancement through mobilization and participation of farming communities; (ii) changes in institutional and operational arrangements at the district, block levels and below through establishment of multi-disciplinary teams drawn from research, extension and farming communities; (iii) preparation of strategic research and extension plans for each district using participatory approaches; (iv) development and implementation of a program of human capital development of public functionaries of cooperating agencies, including NGOs and farming communities; and (v) dissemination of information on effective land and water management practices with a focus on drainage.

Part D: Rural Road Upgrading

Upgrading of about 700 km of farm to market rural roads connecting villages to the highway/district road network.

Part E: Human Resource Development and Institutional Capacity Building

Provision of (i) training of staff in UPBSN, RSAC, line departments, NGOs, farmers, banks and other institutions, and (ii) capital investment necessary for executing services in support of Project activities.

Part F: Adaptive Research

Carrying out of adaptive research for improving existing technology, diversification of cropping systems and development of systems for preventing further expansion of sodicity and key research to achieve efficiency and cost effectiveness in reclamation through establishment of a competitive agricultural research program and linkages with national and international scientists and institutions.

Part G: Project Management

(i) Strengthening UPBSN through provision of office equipment, management and service fee, civil works, consultants' services and training.

(ii) Carrying out of a program for monitoring environmental impacts of the Project activities in accordance with the Environmental Management Plan.

(iii) Carrying out of a program for monitoring and evaluation of the overall progress of the Project, including agriculture and socio-economic impact assessment.

* * *

The Project is expected to be completed by March 31, 2005.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2), (3), (4), (5), (6), (7) and (8) 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 \$10,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$5,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions shall be equal to or exceed the equivalent of SDR 25,000,000.

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 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if at any time the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus the total amount of all outstanding special commitments 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.

