

CREDIT NUMBER 2015 YAR

Development Credit Agreement

(Institutional Development for Public
Administration Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 3, 1990

CREDIT NUMBER 2015 YAR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 3, 1990, between YEMEN ARAB REPUBLIC (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MCSAR" means the Ministry of Civil Service and Administrative Reform established and operating under the Borrower's Law No. 4 of 1981, authorized by the Borrower to execute Part A of the

Project;

(b) "NIPA" means the National Institute of Public Administration established under the Borrower's Law No. 32 of 1974 and operating under the Borrower's Law No. 131 of 1981, authorized by the Borrower to execute Part B of the Project;

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 14, July 2 and July 22, 1988, between the Borrower and the Association;

(d) "Public Sector" means all government institutions at central, regional and local levels, including parastatal companies; and

(e) "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 the Development Credit Agreement, an amount in various currencies equivalent to eight million two hundred thousand Special Drawing Rights (SDR 8,200,000).

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 United States Dollars a special account in the Central Bank of Yemen 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1996 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; (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 payment date in that year specified in Section 2.06 of this Agreement.

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 1999 and ending May 15, 2029. Each installment to and including the installment payable on May 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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 Part A of the Project through MCSAR and shall carry out Part B of the Project through NIPA with due diligence and efficiency and in conformity with appropriate administrative, financial and management 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 cause MCSAR and NIPA to maintain 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 cause MCSAR and NIPA to:

- (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 nine 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

Termination

Section 5.01. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Development and Chairman of the Central Planning Organization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Central Planning Organization
P.O. Box 175
Sana'a
Yemen Arab Republic

Cable address:

Telex:

CENPLAN
Sana'a

2266 CENPLAN YE

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT),
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.

YEMEN ARAB REPUBLIC

By/s/ Mohsin Alaimi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ A. Stoutjesdijk

Acting Regional Vice President
Europe, Middle East and North Africa

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:

of		Amount of the Credit Allocated	%
Expenditures Category Financed	(Expressed in SDR Equivalent		to be
(1) (a) Civil works for MCSAR under Part A of the Project		380,000	51%
(b) Civil works for NIPA under Part B of the Project		1,140,000	51%
(2) (a) Equipment, foreign furniture expenditures, vehicles local and materials for MCSAR under Part A 85% of the Project for		575,000	100% of 100% of expenditures (ex-factory cost) and of local ex- penditures other items procured locally
(b) Equipment foreign furniture expenditures, vehicles and local materials for NIPA under factory Part B of 85% the Project local ex- for		810,000	100% of 100% of expenditures (ex- cost) and of penditures other items procured locally
(3) (a) Consultants' foreign services for MCSAR under of Part A of the Project		1,060,000	100% of expenditures and 90% local expenditures

(b) foreign	Consultants' services for NIPA under Part B of the Project	1,880,000	100% of expenditures and 90% of local expenditures
(4) (a)	Training and fellowships for MCSAR under Part A of the Project	700,000	100%
(b)	Training and fellowships for NIPA under Part B of the Project	1,045,000	100%
(5) pur-	Refunding of Project Preparation Advance	305,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	305,000	
	TOTAL	8,200,000	=====

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; (b) expenditures under any of Categories 1(a), 2(a) and 3(a) until the Borrower shall have submitted an action program for 1990-1994 with a timetable for the carrying out of Parts A (1), A (2) and A (3) of the Project, in form and substance satisfactory to the Association; and (c) expenditures under any of Categories 1(b), 2(b) and 3(b) until the Borrower shall have submitted an action program for 1990-1991 with a time table for the carrying out of Parts B (1), B (2) and B (3) of the Project, in form and substance satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to improve MCSAR's capabilities for planning and implementing the structural and managerial development of the public civil service; and (ii) to improve NIPA's capabilities for identification, design and delivery of training programs to develop a qualified, professional civil service.

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: Assistance to MCSAR

This component provides for the strengthening of MCSAR's institutional and human resources, through:

1. Manpower development planning. This includes assessment and programming of training needs for the public sector, development of a manpower and training plan, and development of staff capabilities in manpower statistics.
2. Personnel policy and administration. This includes the assessment, development and implementation of personnel policies and development of staff capabilities in job classification and grading, staff evaluation and development, and employee statistics.
3. Government organization and operations. This includes the assessment and strengthening of administrative procedures through development of staff capabilities in performance evaluation, work classification, public systems analysis, Public Sector management and Public Sector economics, accounting, financial management, and work organization and methods.
4. Management information capacity. This includes the establishment and operation of a computer processing unit for operation of an integrated civil service management information system.

Part B: Assistance to NIPA

This component provides for the strengthening of NIPA's institutional and human resources, through:

1. Development of staff capabilities. This includes the development of staff capabilities for planning and conducting training in such areas as information technology, public finance, office management, public administration, organization of preservice programs, project accounting, procurement, and secretarial practice.
2. Research and consultancy services. This includes the development of staff capabilities in research methodology and consultancy methods.
3. Long-term plan. Development of a long term plan for NIPA's education and training activities and for the development of NIPA's internal organization for implementation of those activities, including the identification of long-range objectives, methods, and training programs.
4. Teacher support. Provision of teacher support in courses for skills development and management, including office management, accountancy, economics, public administration and information technology.
5. Expansion of NIPA's Sana'a headquarters, and construction of Ibb branch facilities.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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 Guideline\$).

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Yemen Arab Republic 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 D: Other Procurement Procedures

1. Local shopping:

Contracts for equipment, furniture and vehicles estimated to cost not more than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$400,000, may be awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: 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 for civil works and for each contract for equipment estimated to cost the equivalent of \$50,000 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 Parts A (1),

A (2), A (3), A (4), B (1), B (2), B (3) and B (4), 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. The Borrower shall cause MCSAR and NIPA to establish the following selection criteria for the award of fellowships:

(a) with respect to fellowships to be awarded by MCSAR, selection criteria shall include prior academic qualifications, language proficiency and a minimum of one year of relevant experience; and

(b) with respect to fellowships to be awarded by NIPA, selection criteria shall include prior academic qualifications, language proficiency and a minimum of two years of relevant training experience.

2. The Borrower shall cause MCSAR and NIPA to assign persons to designated positions prior to receiving training under the Project and shall require such persons to agree to complete a stipulated number of years of service in such assignments prior to commencement of training.

3. The Borrower shall cause MCSAR and NIPA to assign at least one duly qualified counterpart to each consultant under the Project, such counterpart to provide full-time assistance and to receive on-the-job training from such consultant under the Project.

4. The Borrower shall:

(a) by September 30 of each year or such later date as the Association may agree, furnish to the Association for its concurrence, MCSAR's and NIPA's proposed annual work programs for the Project and proposed budgetary allocations for the carrying out of said programs during the following year; and

(b) by December 31 of each year or such later date as the Association may agree, ensure that annual budgetary allocations required for the carrying out of the said programs during the following year are made.

5. The Borrower shall cause MCSAR and NIPA to carry out their operations and conduct their affairs under the management of qualified and experienced government officials assisted by competent staff in adequate numbers, including the establishment and maintenance of project implementation teams to assist in implementation of the Project. MCSAR's and NIPA's project implementation teams shall each include a project manager, accountant, bilingual secretary and part-time engineer and procurement specialist.

6. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall cause MCSAR and NIPA to provide to the Association, by March 31 of each year, annual progress reports on implementation of the Project, including a review of fellowships and training, in form and substance satisfactory to the Association. Promptly thereafter, NIPA, MCSAR, the Central Planning Organization and the Association shall exchange views thereon.

7. The Borrower shall cause MCSAR to carry out a personnel administration study under Part A (2) of the Project, by November 30, 1989, and following completion of such study, the Borrower

shall exchange views with the Association on the findings and recommendations thereof. Thereafter, the Borrower shall cause MCSAR to carry out, on the basis of such recommendations and exchange of views, an action plan for modification of the administration of the personnel system.

8. The Borrower shall cause MCSAR to carry out, by December 31, 1989, an organization study of MCSAR under Part A (3) of the Project and following completion of such organization study, the Borrower shall exchange views with the Association on the findings and recommendations thereof. Thereafter, the Borrower shall cause MCSAR to implement such recommendations, taking the Association's comments thereon into account.

9. The Borrower shall cause NIPA to furnish to the Association by July 31, 1990, a long-term plan under Part B (3) of the Project for NIPA's education and training activities and for the development of NIPA's internal organization for implementation of those activities. Promptly upon completion of such long-term plan, NIPA, MCSAR, the Central Planning Organization and the Association shall exchange views thereon, and the Borrower shall thereafter cause NIPA to implement a long-term plan agreed to among NIPA, MCSAR, the Central Planning Organization and the Association.

10. The Borrower shall cause NIPA to provide to the Association by September 30, 1990, for its review and comments, a five-year work program for NIPA's research and consultancy activities under Part B (2) of the, Project. Thereafter, the Borrower shall cause NIPA, to implement such work program, taking into account the Association's comments thereon. The Borrower shall cause NIPA to furnish to the Association, by December 31, 1995, a review of the results of such work program.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, 3 and 4 set forth in the table in paragraph 1 of Schedule I 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 n means an amount equivalent to \$600,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

- (b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

- (b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower

shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

