

CONFORMED COPY

CREDIT NUMBER 2204 KE

(Second Agricultural Sector Adjustment Credit)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 21, 1991

CREDIT NUMBER 2204 KE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 21, 1991, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated November 23, 1990, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's agricultural sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in two tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "CBS" means Central Bureau of Statistics;

(b) "KTDA" means the Kenya Tea Development Authority established pursuant to Chapter 343 of the Borrower's Laws;

(c) "MOA" means the Borrower's Ministry of Agriculture;

(d) "MOLD" means the Borrower's Ministry of Livestock Development;

(e) "MSM" means the Borrower's Ministry of Supplies and Marketing;

(f) "MOF" means the Borrower's Ministry of Finance;

(g) "MLHPP" means the Borrower's Ministry of Lands, Housing and Physical Planning;

(h) "NCPB" means the National Cereals and Produce Board established pursuant to Chapter 338 of the Borrower's Laws;

(i) "PMU" means the Project Management Unit of MOLD; and

(j) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifty-two million two hundred thousand Special Drawing Rights

(SDR 52,200,000).

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 Program and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars two special deposit accounts (Special Account A and Special Account B) in the Central Bank of Kenya on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 and service charges shall be payable semiannually on March 15 and September 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 March 15 and September 15 commencing March 15, 2001, and ending September 15, 2030. Each installment to and including the installment payable on September 15, 2010, 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

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. The Borrower shall strengthen the capabilities of: (a) MOA, MOLD, MSM, MOF, MLHPP, CBS and NCPB in the areas of data collection and policy analysis through the provision of technical assistance, short-term training courses, advanced local and overseas training, vehicles and equipment; (b) the Project Performance Reporting System of the Project Development and Monitoring Division in MOA, PMU in MOLD and overall budget and financial management practices in MOA and MOLD through the provision of technical assistance, training, vehicles and equipment; and (c) MOA to promote and monitor safe fertilizer use, develop the private and cooperative dealers' fertilizer marketing skills, improve soil testing facilities and quality standards of fertilizers through the provision of technical assistance, local and overseas training, vehicles and equipment. To that end, 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 the 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.

Section 3.04. (a) The Borrower shall maintain or cause the Central Bank of Kenya to maintain, records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for

the Special Accounts 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 six months after the end of each such year with respect to Categories (1) and (2) and nine months after the end of each such year with respect to Categories (3) and (4) of the table in paragraph 1 of Schedule 1 to this Agreement, 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 and 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 report 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 audits 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 IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Termination

Section 5.01. 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 VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister at the time responsible for Finance 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:

Ministry of Finance  
P.O. Box 30007  
Nairobi

Cable address:

FINANCE  
Nairobi

Telex:

22921  
MINFIN-KE

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 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF KENYA

By /s/ D. D. Afande  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox  
Regional Vice President  
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 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) (a) Fertilizer	17,380,000)	
(b) Pesticides,	6,960,000)	

	Chemicals	)	
	and Seeds	)	
		)	
(c)	Agricultural	13,900,000)	
	Machinery,	)	
	Equipment and	)	
	Spare parts	)	100% of foreign
		)	expenditures
(d)	Veterinary	1,400,000)	
	Supplies	)	
(2)	Petroleum Products	6,960,000	100% of foreign
			expenditures
(3)	Consultants'	1,260,000	100%
	Services		
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) (a)	Training	3,050,000	100%
(b)	Vehicles and equipment	1,170,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 60% of local expenditures
(c)	Incremental non-salary operating costs	120,000	60% of local expenditures
	Total	52,200,000 =====	

2. For the purpose of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied for 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; and

(c) the term "incremental non-salary operating costs" means the incremental costs incurred by the Borrower, related to the operation and maintenance of vehicles and equipment, and staff travel related to the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made in respect of payments for expenditures made prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 9,200,000 may be made in respect of Categories (1) and (2) of the table in paragraph 1 above, on account of payments made for expenditures before that date but after September 1, 1990.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower or others in respect of expenditures to be financed out of the proceeds of the Credit under Categories (1) and (2) of the table in paragraph 1 above after the aggregate of the proceeds of the Credit withdrawn

from the Credit Account and the total amount of such commitments from the said Categories shall have reached the equivalent of SDR 23,300,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the actions described in Schedule 3 to this Agreement have been taken; and (c) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

5. If, after the exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

## SCHEDULE 2

### Procurement

#### Part A: International Competitive Bidding

1. Except as provided in Part B hereof, contracts for the procurement of goods estimated to cost the equivalent of \$2,000,000 or more each, shall be awarded through international competitive bidding 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) subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for procurement of goods by the Borrower or public sector entities estimated to cost less than the equivalent of \$2,000,000 each may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least



three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Contracts for the procurement of goods by the private sector entities estimated to cost less than the equivalent of \$2,000,000 each may be awarded, to the extent practicable, on the basis of comparison of price quotations solicited from a list of at least two suppliers from at least two different countries eligible under the Guidelines, or on the basis of the normal procurement procedures of the purchaser of such goods.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraph 4 of this Schedule 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.

Part B: Other Procurement Procedures

7. Vehicles and equipment estimated to cost the equivalent of \$60,000 or less per contract up to an aggregate amount equivalent to \$200,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Association.

SCHEDULE 3

Actions Referred to in Paragraph 4 (b)  
of Schedule 1 to this Agreement

1. Maize

The Borrower has:

(a) carried out improvements of the maize pricing system taking into account parity principles, stock levels and anticipated production and impact on the Borrower's budget and has adjusted maize producer prices in accordance with such improvements;

(b) published regulations, satisfactory to the Association permitting the transportation of up to 8 tons of maize without a permit;

(c) established a date during 1992 satisfactory to the

Association for the removal of all controls on the movement of maize within the country;

(d) taken steps to reduce NCPB's share to 60% of the sifted maize miller's intake of maize;

(e) entered into a Performance Contract, satisfactory to the Association, with NCPB to regulate NCPB's activities for 1992/93-1994/95. The Performance Contract shall include, inter alia, the following elements the Borrower's policy statement on maize, NCPB's revised role and responsibilities, reserve stock target levels and guidelines for the management thereof, decision rules for market stabilization, the Borrower's budgetary allocations to compensate NCPB fully for losses incurred on food security and market stabilization operations, and monitorable performance targets for NCPB; and

(f) removed beans from NCPB's Scheduled List.

## 2. Fertilizers

The Borrower has:

(a) finalized the policy paper to reduce distortions created by in-kind donor-supplied fertilizer and has exchanged views with the Association on the proposed measures;

(b) completed the study on mechanisms to lower the cost of fertilizer imports in the private sector and has exchanged views with the Association on the proposed measures; and

(c) finalized action plans, satisfactory to the Association for soil testing, training of officers and fertilizer promotion for all major fertilizer consuming district in the country.

## 3. Public Expenditures

The Borrower has:

(a) furnished to the Association a list of projects for MOA and MOLD, satisfactory to the Association, for inclusion into the Borrower's core investment program;

(b) furnished to the Association, evidence satisfactory to the Association showing that the list of projects in the core investment program referred to in (a) above has been included in the Borrower's Annual Estimates for 1992/93 and Foward Budget for 1992/93-1994/95;

(c) completed a review of staffing norms and adopted and started to implement an action plan, satisfactory to the Association on (i) achieving revised staffing levels in MOA and MOLD, (ii) raising the ratio of non-salary to salary operating expenditures in key agricultural activities, and (iii) regulating student enrollment in MOA and MOLD training institutions;

(d) evaluated performance of improved budget and payment system as it relates to MOA and MOLD and exchanged views with the Association; and

(e) adopted and implemented an action plan for improving the collection of user charges from farmers.

## 4. Vulnerable Groups

The Borrower has finalized and started to implement action plans, satisfactory to the Association, on (a) drought contingency measures, (b) food/nutrition, (c) possible negative impacts of the present grain marketing system, and (d) household welfare monitoring survey.

## Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) for Special Account A and Categories (3) and (4) for Special Account B, 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 during the execution of the Program 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 \$5,000,000 for Special Account A and \$500,000 for Special Account B to be withdrawn from the Credit Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Accounts shall be made as follows:

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

(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, 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 Program, 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 respective Special Accounts 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 Accounts: (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 concerned (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 respective Special Accounts 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 Accounts 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 Accounts.

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

