

CREDIT NUMBER 2153-PAK

Development Credit Agreement

(Agricultural Credit Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 28, 1990

CREDIT NUMBER 2153 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 28, 1990 between ISLAMIC REPUBLIC OF PAKISTAN 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, has requested the Association to assist in the financing of Parts C and D of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional financial assistance toward the financing of Parts A, B and E of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to one hundred forty-eight million five hundred thousand dollars (\$148,500,000) (the Loan);

(C) Parts C and D of the Project will be carried out by the State Bank of Pakistan (SBP) and Province of Punjab (Punjab), respectively, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SBP and Punjab the proceeds of the Credit as provided 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 Project Agreement of even date herewith among the Association and SBP and Punjab;

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, in the Preamble to this Agreement and in the Loan Agreement have the respective meanings therein set forth, except the term "Project Agreement" as defined in the Loan Agreement, and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement among the Association, SBP and Punjab 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;

(b) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for Parts A, B and E of the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(c) "SBP Special Account" means the account which SBP shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement;

(d) "Punjab Special Account" means the account which Punjab shall open and maintain pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (c) of the Project Agreement; and

(e) "Special Accounts" means collectively the SBP Special Account and the Punjab Special Account, and "Special Account" means each or any of those accounts individually.

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 million two hundred thousand Special Drawing Rights (SDR 1,200,000).

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 Parts C and D of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Parts C and D of the Project, cause SBP and Punjab to open and maintain in dollars special accounts in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

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; 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 May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 2000 and ending May 1, 2025. Each installment to and including the installment payable on May 1, 2010 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 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.

Section 2.09. The Executive Director in charge of the Agriculture Credit Department, SBP and the Director, Revenue Academy, Punjab are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Parts C and D of the Project, respectively.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause SBP and Punjab to perform in accordance with the provisions of the Project Agreement all the obligations of SBP and Punjab therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SBP and Punjab 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 SBP and Punjab on a grant basis.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts C and D of 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 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports and maintenance, respectively) in respect of Parts C and D of the Project shall be carried out by SBP and Punjab, respectively, 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 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 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, 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 as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

- (a) SBP or Punjab 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 the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SBP or Punjab will be able to perform its obligations under the Project Agreement.
- (c) The State Bank of Pakistan Act, 1956, of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SBP to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SBP or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of the Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Loan Agreement, or
- (B) the Loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the Loan Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event 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 all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled.

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 SBP and Punjab, and is legally binding upon SBP and Punjab in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under the provisions of paragraph (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division 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:

Economic Affairs Division
Islamabad
Pakistan

Cable address:

Telex:

ECONOMIC
Islamabad

ECDIV-05-634

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.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ M. Afzal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ M. Wiehen

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment and vehicles for:		100% of foreign expenditures, 100% of local expenditures
(a) SBP	110,000	(ex-factory cost) and 60%
(b) Punjab	110,000	of local ex- penditures for other items procured locally
(2) Consultants' services and training for		80% for consul- tants' services and 100% for training
(a) SBP	70,000	
(b) Punjab	140,000	

Amount of the
Credit Allocated

% of

Category	(Expressed in SDR Equivalent)	Expenditures to be Financed
(3) Incremental administrative expenditures for:		
(a) SBP	570,000	70% until an aggregate amount equivalent to SDR 190,000 has been disbursed from this Category, 50% thereafter and until an aggregate amount equivalent to SDR 380,000 has been disbursed from this Category, and 30% thereafter
(b) Punjab	130,000	70% until an aggregate amount equivalent to SDR 45,000 has been disbursed from this Category, 50% thereafter and until an aggregate amount equivalent to SDR 90,000 has been disbursed from this Category, and 30% thereafter
(4) Unallocated	70,000	

TOTAL	1,200,000	

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;

(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 administrative expenditures" means expenditures for the salaries, allowances and other emoluments of staff recruited, and the operating costs of vehicles procured utilizing the proceeds of the Credit, for the purposes of Parts C and D of the Project.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 100,000, may be made in respect of Categories (1) (a) and (3) (a), and in an aggregate amount not exceeding the equivalent of SDR 50,000, may be made in respect of Categories (1) (b) and (3) (b), all on account of payments made for expenditures before that date but after January 1, 1990; and (b) payments made for expenditures under Categories (1) (b), (2) (b) and (3) (b), unless and until the PC-1 document for Part D of the Project shall have been approved by Punjab.

SCHEDULE 2

Description of the Project

The objectives of the Project are to continue to assist the Borrower in developing a viable agricultural credit system and to consolidate the gains already made in that direction, and, to those ends: (a) to provide financial support for ADBP's credit operations and for NCBs' agricultural credit operations; (b) to enhance the institutional capabilities of PCIs so as to enable them to deliver credit to an increasing proportion of the rural community, including small-holder farmers, the landless and women, and to become more efficient in credit supervision and collection; (c) to enable ADBP to expand its resource base by developing its rural deposit generating capabilities; and (d) to establish a policy environment conducive to efficient financial intermediation and to the existence of increasingly viable financial institutions in the agricultural credit sector.

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: Agricultural Credit Operations

1. Provision of medium- and long-term credit through PCIs to finance:

- (a) medium-horsepower tractors, primary and secondary cultivation and seeding equipment, and general farm machinery, including threshers and reapers;
- (b) private minor irrigation, including construction or improvement of tube-wells (including in turn, the provision and installation of pumps and the provision of power connections, where needed), improvements in spring water utilization, and on-farm water management;
- (c) dairy development, including provision of buffaloes and cows, sheds, equipment, veterinary supplies, feed and inputs for fodder-crop production;
- (d) sheep and goat production for stock, including provision of shelter, feed and inputs for fodder-crop production;
- (e) poultry production, including provision of broiler and layer units for chicks, sheds, equipment and feed;
- (f) orchard development, including provision of seedlings, plantings and other orchard establishment needs and maintenance during the pre-fruit bearing stage;
- (g) vegetable farming, including supply and installation of mini- and walk-in tunnels, with polythene and shade-netting, and power sprayers, and provision of farm-to-market transportation, and minor crop development; and
- (h) other on-farm development, including land levelling, construction and lining of water courses, carrying out of aqua culture, social forestry and tree-planting, apiculture, silviculture and floriculture, and provision of miscellaneous on-farm implements and equipment.

2. Provision of medium- and long-term credit through ADBP to finance:

- (a) rural small-scale enterprises and other income-generating activities, including provision of small-scale machinery and tools for fruit-and nut-processing, carpet-weaving, knitting, weaving, sewing, handicraft production, and crop and wood processing; and

- (b) time-saving devices, which contribute directly or indirectly to increased agricultural productivity, including processing machines like wool corders, spinning wheels, butter churners, nut crackers, spice grinders and juicers, corn huskers, rice hullers, oil nut-pressers, and fodder cutters; household technology items like more efficient stoves and hand pumps; and fuel sources like butane, compact sawdust and prepared animal feeds.

3. Provision of short-term credit through ADBP to finance:

- (a) crop production, including land-levelling, provision of seasonal inputs such as seeds, fertilizer and pesticides, tractor-hire and harvesting and processing;
- (b) livestock and poultry production and processing, including provision of feed, medicines, chicks and inputs for fodder-crop production; and
- (c) working capital for rural small-scale enterprises and other income-generating activities, including for provision of agricultural, livestock and semi-processed products, intermediate processing, packaging and marketing, hired labor and/or energy costs, provision of accessories or replacement parts, supply of product design materials such as pattern books, manufacturers' catalogs and carpet-weaving patterns, and equipment repair costs.

Part B: New Agricultural Credit and Rural Savings Mobilization Schemes

Adoption by ADBP, on a pilot basis, and in form and substance satisfactory to the Association, of schemes for: (i) providing short-, medium-and long-term credit to small farmers, the landless and women based on new forms of security; (ii) providing credit through NGOs or to borrowers identified through NGOs; and (iii) mobilizing rural savings through deposits received by MCOs or newly-instituted mobile deposit officers (MDOs).

Part C: Agricultural Credit Research

Carrying out of: (i) a rural credit survey, to focus particularly on farm credit practices, questions of access to institutional credit and characteristics of the informal credit market; (ii) a study of women's participation in decision-making in agricultural, non-agricultural and domestic affairs; and (iii) studies on specific policy issues, including causes of credit delinquency, costs of and returns on agricultural credit, and impact of directed credit programs.

Part D: Computerization of Land Records

Computerization, on a pilot basis, of land records in the Kasur district of Punjab.

Part E: Institutional Development Assistance

Strengthening of PCIs through:

- (i) provision of equipment, vehicles and additional staff;
- (ii) provision of technical assistance, to assist ADBP in: (a) devising new and improving existing credit programs, inter alia, for farm mechanization, private minor irrigation, fruit, vegetable and minor crop farming, and aqua culture; (b) devising new credit programs for schemes for lending to small farmers, the

landless and women and for lending through NGOs; (c) reviewing credit appraisal procedures; (d) devising crop insurance programs; (e) preparing and implementing a rural savings mobilization action plan; (f) designing computer application systems; (g) developing beneficiary training programs for new credit initiatives in the crops, livestock and small-scale enterprises development areas; (h) developing induction, in-service and environmental training programs for MCOs and female VAs; (i) developing a streamlined and more efficient accounting system, including a modified general ledger system; (j) preparing an organization and management study; and (k) strengthening the monitoring and evaluation arrangements;

- (iii) provision of technical assistance, to assist NCBs in: (a) developing and implementing a management information system, including a monitoring and evaluation capability; (b) developing cost-accounting capability; and (c) developing an environmental training program for ACOs;
- (iv) carrying out of: (a) induction training of all new female MCOs at ADBP's staff colleges and for female VAs at ADBP's regional offices; (b) in-service training of ADBP's regional managers, branch managers and male MCOs in the special requirements of credit programs for women; (c) additional training of ADBP's regional managers, branch managers, MCOs (both male and female), and female VAs in the special requirements and operation of credit programs for lending to small-holder farmers, the landless and women and for lending through NGOs; and (d) training of MCOs/ACOs in environmental matters; and
- (v) provision of fellowships and study tours for short-term training, both local and overseas, of PCI staff, including staff college instructors and trainers, officers from headquarters, regional/zonal and branch managers, and MCOs/ACOs, both male and female.

* * *

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

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 Parts C and D of 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, in respect of SBP, an amount equivalent to \$130,000 to be withdrawn from the Credit Account and deposited into the SBP Special Account, and, in respect of Punjab, an amount equivalent to \$70,000 to be withdrawn from the Credit Account and deposited into the Punjab Special

Account, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the 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 a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, SBP or Punjab, as the case may be, 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 SBP or Punjab, as the case may be, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as SBP or Punjab, as the case may be, shall have requested.

(b) (i) For replenishment of the Special Account, SBP or Punjab, as the case may be, 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, SBP or Punjab, as the case may be, 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 SBP or Punjab, as the case may be, withdraw from the Credit Account and deposit into the Special Account such amount as SBP or Punjab, as the case may be, 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 SBP or Punjab, as the case may be, out of a Special Account, SBP or Punjab, as the case may be, 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 a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by SBP or Punjab, as the case may be, 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 for Part C or D of the Project, as the case may be, 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 Part C or D of the Project, as the case may be, shall equal the equivalent of \$260,000 or \$140,000, as the case may be, twice the amount of the Authorized Allocation in each case.

Thereafter, withdrawal from the Credit Account of the remaining

unwithdrawn amount of the Credit allocated to the eligible Categories for Part C or D of the Project, as the case may be, shall follow such procedures as the Association shall specify by notice to SBP or Punjab, as the case may be. 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 such 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 a 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, SBP or Punjab, as the case may be, shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into such 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 such Special Account shall be made until SBP or Punjab, as the case may be, 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 a Special Account will not be required to cover further payments for eligible expenditures, SBP or Punjab, as the case may be, shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) SBP or Punjab, as the case may be, may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a 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.

