

CONFORMED COPY

CREDIT NUMBER 2010 IN

(Upper Krishna (Phase II) Irrigation Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 16, 1989

CREDIT NUMBER 2010 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 16, 1989, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing 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 sixty-five million dollars (\$165,000,000) (the Loan);

(C) the Project will be carried out by the State of Karnataka (Karnataka) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Karnataka

the proceeds of the Credit as provided in this Agreement and the proceeds of the Loan as provided in the Loan Agreement;

(D) by an agreement of even date herewith among the Association, the Bank and Karnataka (the Project Agreement), Karnataka has agreed to undertake certain obligations in respect of the carrying out of the Project; and

(E) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of eligible expenditures for the Project before disbursements are made of the proceeds of the Loan provided for in the Loan 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement of even date herewith among the Association, the Bank and the State of Karnataka, as such agreement 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 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) "Karnataka" means the State of Karnataka, a State of India, or any successor thereto;

(d) "Upper Krishna Program" means the program for the development of irrigation in an area, including approximately 425,000 ha in the first stage, situated in northern Karnataka and to be irrigated from the Almatti and Narayanpur reservoirs;

(e) "Project Area" means an area of about 150,000 ha within the Upper Krishna Program;

(f) "Phase I" or "the Karnataka Irrigation Project" means the Project described in Part A of Schedule 2 to the Development Credit Agreement dated May 12, 1978 between India and the Association for the Karnataka Irrigation Project (Credit 788-IN) as such Schedule may be amended from time to time;

(g) "CADA" means the Command Area Development Authority for the Upper Krishna Program;

(h) "R & R Government Order" means Government Order

Number PWD 20 WBM dated March 3, 1989 issued by the Government of Karnataka;

(i) "displaced person" means any person, either land owning or landless as defined in paragraphs (l) and (m) of this Section, who for at least one year prior to the date of publication of any notification under Section 4 of the Borrower's Land Acquisition Act, 1894, as amended, for the purpose of acquiring any land for Phase I or for the Project, has ordinarily been residing in, or cultivating land, or carrying on any trade, occupation, or calling or working for gain in the Project Area or the area in which Phase I is carried out and who would be, or has been, involuntarily displaced from his or her usual place of residence or work due to such land acquisition (including for road construction or installation of main canals and distributaries);

(j) "displaced family" includes each adult displaced person, his or her spouse, minor children and other dependents who habitually resided in one household for at least one year prior to the date of publication of any notification under Section 4 of the Borrower's Land Acquisition Act, 1894, as amended, for the purpose of acquiring any land for Phase I or for the Project, or prior to the displacement of such family, as the case may be;

(k) "R&R Plan" means the plan referred to in paragraph 1 (b) of Schedule 2 to the Project Agreement;

(l) "land owning displaced person" or "land owning displaced family" means a displaced person or a displaced family, as the case may be, owning not more than 10 ha but at least 0.25 ha of land in the Project Area or Phase I which, or a part of which, is acquired for the purposes of the Project;

(m) "landless displaced person" or "landless displaced family" means a displaced person or a displaced family, as the case may be, owning less than 0.25 ha of land in the Project Area or Phase I which, or a part of which, is acquired for the purposes of the Project;

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

(o) "Rs." means rupees in the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred nineteen million Special Drawing Rights (SDR 119,000,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 a date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

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

Section 2.06. Commitment charges and service charges shall be payable semi-annually 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, 1999 and ending September 15, 2023. Each installment to and including the installment payable on September 15, 2008 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.

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 Karnataka to perform in accordance with the provisions of the Project Agreement all the obligations respectively set forth therein, shall take and cause to be taken all action, including the provision of funds, facilities, services, land and other resources, necessary or appropriate to enable Karnataka 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 and the proceeds of the Loan available to Karnataka in accordance with the Borrower's standard arrangements for development assistance to states.

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 the Project Agreement.

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

ARTICLE IV

Financial and Other 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 nine 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.

Section 4.02. The Borrower shall have the Special Account for each financial year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association and furnish as soon as available, but in any case not later than six months after the end of each year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested.

ARTICLE V

Remedies of the Association

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

(a) Karnataka shall have failed to perform any of its obligations under the Project Agreement.

(b) The R & R Government Order shall have been amended, suspended, or repealed so as to materially and adversely affect the ability of Karnataka to carry out the Project.

(c) 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 Karnataka will be able to perform its obligations under the Project 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; and

(b) the events specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

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 have been fulfilled other than those related to the effectiveness of this Agreement.

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 Karnataka, and is legally binding upon Karnataka 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 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

Representatives of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-313546

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:

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.

INDIA

By /s/ Anil Kumar

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Bilsel Alisbah

Acting Regional Vice President

SCHEDULE 1

Withdrawal of the Proceeds of
the Credit and of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and of the Loan, the allocation of the amounts of the Credit and of the Loan 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)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	110,000,000	157,000,000	85%
(2) Goods (except food)	2,000,000	3,000,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items pro- cured locally
(3) Consulting services	3,000,000	-	100%
(4) Unallocated	4,000,000	5,000,000	
TOTAL	119,000,000	165,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; 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 payments made for expenditures (i) prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 1,200,000 may be made on account of payments made for certain expenditures incurred after March 1, 1988; or (ii) in respect of land.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase agricultural production, incomes and direct employment opportunities for some one hundred thousand families in the drought prone and relatively arid northern part of Karnataka through the expansion of irrigation for about 150,000 ha; provide for the resettlement and

rehabilitation of displaced persons to ensure the restoration or the enhancement of their standard of living up to or above levels enjoyed by them prior to the commencement of the implementation of the Project or Phase I, as the case may be; strengthen Karnataka's technical and managerial skills in project management and the planning design, construction and operation and maintenance of irrigation projects; and contribute towards an effective anti-malaria campaign. The Project is the second phase of Karnataka's long term plan for the development of irrigation through the Upper Krishna Program and is a continuation of a first phase which was implemented with assistance provided by the Association for the Karnataka Irrigation Project.

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: Irrigation

1. Almatti Dam

Raising of the Almatti Dam whose construction began under Part A(1) of Schedule 2 to the Development Credit Agreement for the Karnataka Irrigation Project by:

- (a) raising the spillway to an elevation of 509 m;
- (b) construction of piers to a final elevation of 528.76 m;
- (c) provision of anchors and embedded metal parts for the future installation of radial gates;
- (d) raising of the left embankment to the final elevation of 528.76 m and partial completion of the right embankment; and
- (e) construction of a road bridge over the spillway section.

2. Irrigation Development

(a) Completion of the distribution system of the Shahpur Branch Canal;

(b) construction of a major portion of the Mudbal Branch Canal together with associated distributaries;

(c) construction of an initial part of the Indi Branch Canal together with associated distributaries;

(d) construction of field irrigation channels to serve about 150,000 ha consisting in part of areas to be developed under the Project and in part of areas developed under Phase I where field irrigation channels had not been constructed;

(e) improvement of main and secondary drains in the Project Area and the construction of field drains in about 30% of the Project Area to facilitate removal of excess rain and irrigation water from such areas;

(f) improvement and construction of all-weather roads in the Shahpur, Mudbal and Indi Branch command areas; and

(g) on-farm development including landshaping, farm irrigation and farm drainage for about 116,000 ha in Phase I and Project Areas.

3. Strengthening of Training Facilities

(a) Establishment of a Water and Land Management Institute (WALMI) near Dharwar, Karnataka, to provide training mainly to staff of Karnataka's Irrigation Department and Agriculture Department in subjects relevant to irrigated agriculture including land shaping, crop-water relationships, irrigation management and

monitoring of irrigation; and

(b) establishment and strengthening of Project training centers for training canal operators and farmers.

4. Technical Assistance for Part A

(a) Photogrammetric mapping of about 650,000 ha covering the remainder of potentially irrigable land along the Krishna River not mapped under Phase I;

(b) strengthening of (i) planning of future development of the Upper Krishna Scheme, as well as capability for, (ii) Project operation and maintenance, and (iii) Project monitoring and evaluation;

(c) provision of training for concerned personnel through the Water and Land Management Institute and the Project training centers;

(d) provision of training in contract administration and supervision; and

(e) establishment of a management information system for the Project.

Part B: Resettlement and Rehabilitation

Carrying out the resettlement and rehabilitation of displaced persons to ensure the restoration or enhancement of their standard of living up to or beyond the levels enjoyed by them prior to the commencement of the implementation of the Project or Phase I, as the case may be, inter alia, by provision of the following without prejudice to any other benefits or rights to which such displaced persons may be entitled under any other law or regulation of the Borrower or Karnataka:

1. Provision of 1.5 ha of irrigated land in the command area or non-irrigated land of equivalent productive potential to each land owning displaced family all of whose land has been acquired for the purposes of the Project or Phase I.

2. Provision, at its option, to each land owning displaced family which is left after acquisition of land owned by it with either less than 1.5 ha of irrigated land or non-irrigated land of equivalent productive potential of either: (a) an ex-gratia payment of Rs.10,000 for an appropriate income-generating scheme; or (b) 1.5 ha of irrigated land in the command area or non-irrigated land of equivalent productive potential, in those cases in which such family is unable to maintain such standard of living from income derived from land left after such acquisition including by drawdown cultivation and agrees to surrender to Karnataka the remaining portion of its holding.

3. Provision to each land owning displaced family which does not fall under Part B(2) above and which has lost a part of its land and is left with more than 1.5 ha of irrigated land or non-irrigated land of equivalent productive potential after acquisition of land for the Project, of an ex-gratia payment not exceeding Rs.2,500 to meet up to 25% of the unit cost of an appropriate income-generating scheme and a loan not exceeding Rs.7,500 to meet up to 75% of the unit cost of such scheme.

4. Provision to each landless displaced family whose work, trade or business has been adversely affected as a result of the Project or Phase I, at its option, of either (a) 0.5 ha of irrigated land in the command area or non-irrigated land of equivalent productive potential; or (b) an ex-gratia grant of at least Rs.10,000 for an appropriate income-generating scheme.

5. Provision of a house plot of 400 square meters at the site of resettlement, free of cost to each displaced family which has

lost, or will lose its house as a result of acquisition of land for the Project.

6. Provision of adequate transportation, free of cost, to displaced persons for the relocation of themselves, their livestock, house materials and other belongings from their original habitats to the sites of resettlement.

7. Provision to all displaced families relocating to new agricultural land of a subsistence allowance to defray the cost of food, medical care, fuelwood and fodder in the new location in the first six months following relocation.

8. Technical assistance to CADA for the training of CADA staff in implementing Part B of the Project and for ongoing monitoring and evaluation of Part B of the Project.

* * *

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

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" mean Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit 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 or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$18,000,000 to be withdrawn from the Credit Account or the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account or the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account or from the Loan Account under the eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of

this Schedule.

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

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

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of the Development Credit Agreement or from the Loan Account in accordance with the provisions of Section 2.02 of the Loan Agreement and Article V of the General Conditions applicable thereto; or
- (ii) the total unwithdrawn amount of the Credit and of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association or the Bank such outstanding amount for crediting to the Credit Account or to the Loan Account, as the case may be.

