

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3846 PAK

Development Credit Agreement

(Highways Rehabilitation Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 26, 2004

Public Disclosure Authorized

CREDIT NUMBER 3846 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 26, 2004, 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 (the Project), has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by the National Highway Authority (NHA) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to NHA, as set forth in this Agreement;

(C) 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 has agreed to provide such assistance in an aggregate principal amount equal to five billion six hundred five million five hundred thousand Japanese Yen (¥5,605,500,000) (the Loan); and

(D) the Borrower, the Association and the Bank intend, to the extent practicable, that the proceeds of the Credit be disbursed on account of expenditures for the Project before disbursements of the proceeds of the Loan are made;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith among the Association, the Bank and NHA (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the IDA General Conditions) constitute an integral part of this Agreement.

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

(a) “Act” means the Borrower’s National Highway Authority Act, 1991 (Act No. XI of 1991), as amended in 2001 and as may be further amended from time to time;

(b) “Credit Special Account” means the account referred to in Section 2.02(b) of this Agreement;

(c) “Environmental Management Plans” or “EMPs” means collectively: (i) the Borrower’s plans dated May 30, 2003, covering activities to be undertaken under the first phase of Part A of the Project; and (ii) the Borrower’s future plans covering activities to be undertaken under a subsequent phase or phases of Part A of the Project, all satisfactory to the Association and the Bank and setting forth measures for mitigating the potential environmental impact of such activities, as the same may be updated from time to time with the agreement of the Association and the Bank;

(d) “Financial Monitoring Report” means each report prepared in accordance with Section 3.02(b) of the Project Agreement.

(e) “Fiscal Year” or “FY” means the Borrower’s fiscal year, beginning on July 1 of a calendar year and ending on June 30 of the following calendar year;

(f) “Land Acquisition Act” means the Borrower’s Land Acquisition Act, 1894 (Act No.1 of 1894), as amended from time to time;

(g) “Medium Term Budgetary Framework” or “MTBF” means the indicative 5 year (FY 2003-08) budgetary framework of NHA (as hereinafter defined), including a prioritized highway investment and maintenance program and setting out prioritization criteria for future updates of such program, for the Borrower’s national highway network, satisfactory to the Association and the Bank and adopted on October 23, 2003, as the same may be updated annually in consultation with the Association and the Bank;

(h) “National Highway Improvement Program” means NHA’s multi-year improvement program for the Borrower’s national highway system, based on annual maintenance plans developed in accordance with the RMA standard operating procedures and allocations agreed in the MTBF;

(i) “National Highway N-5” means the Karachi-Thata-Hyderabad-Moro-Multan-Sahiwal-Lahore-Jhelum-Rawalpindi-Peshawar-Torkham segments of the Borrower’s national highway network, all as defined in Part I of the Schedule to the Act;

(j) “National Highway M-9” means the Karachi-Hyderabad motorway, as defined in Part I of the Schedule to the Act.

(k) “NHA” means the National Highway Authority of the Borrower, constituted and existing under the Act, or any successor thereto;

(l) “Project Affected Person” or “PAP” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location, resulting in adverse impacts on the livelihood of such person;

(m) “PIP” means the Borrower’s Project Implementation Plan, dated October 23, 2003, satisfactory and acceptable to the Association and the Bank, including any amendments made to such plan, from time to time, with the Association’s and the Bank’s approval, that sets forth various procedures and information necessary for carrying out the Project; performance indicators and monitoring and evaluation guidelines; administrative, accounting and financial procedures; procurement and disbursement guidelines; and social and environmental matters;

(n) “Project Agreement” means the agreement among the Association, the Bank and NHA 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;

(o) “RMA” means the Road Maintenance Account of NHA, established and operating pursuant to the Act;

(p) “RMA Rules” means the National Highway Authority Road Maintenance Account Rules, 2003, prescribed by NHA under the Act for the operation of RMA and notified on September 22, 2003;

(q) “Resettlement Action Plan” or “RAP” means any resettlement action plan prepared by the Borrower in form and substance satisfactory to the Association and the Bank, in accordance with the Resettlement Policy Framework (as hereinafter defined); and

(r) “Resettlement Policy Framework” means the Borrower’s policy, adopted on May 30, 2003, satisfactory to the Association and the Bank, setting forth certain rules, procedures and guidelines for: (i) the acquisition of land and/or other assets from PAPs; and (ii) resettlement and rehabilitation of PAPs and the compensation thereof, as the same may be amended from time to time with the prior agreement of the Association and the Bank.

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 five million nine hundred thousand Special Drawing Rights (SDR 105,900,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Pakistan 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 Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing March 15, 2014, and ending September 15, 2038. Each installment to and including the installment payable on September 15, 2023, shall be one and one-fourth percent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the abovementioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the 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 NHA to perform in accordance with the provisions of the Project Agreement all the obligations of NHA 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 NHA 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 NHA as a capital contribution on a non-reimbursable basis, in accordance with the Borrower's standard budgetary procedures.

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

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by NHA 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 are made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a)(i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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.

Section 4.02. Except as the Association shall otherwise agree, the Borrower shall ensure that, during Project implementation, NHA will: (a) carry out its investment and maintenance program in compliance with the MTBF; (b) consult with the

Association on a timely basis each year on its annual investment and maintenance plan, giving due consideration to any comments and suggestions made by the Association on such plan in the course of such consultation; and (c) in particular, fully implement the National Highway Improvement Program.

Section 4.03. The Borrower shall:

(a) at the beginning of FY2004/05, take a decision regarding: (i) the treatment of existing stock of NHA debt; and (ii) the mode of all future NHA funding provided through the Borrower's annual Public Sector Development Program, all with a view to making NHA financially sustainable commencing FY 2004/05; and

(b) to those ends and not later than April 30, 2004, carry out a review of available options for financing NHA's investment program on a sustainable basis, under terms of reference satisfactory to the Association, and provide the Association with a prior opportunity to comment on the findings and recommendations of such review.

ARTICLE V

Remedies of the Association

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

(a) NHA 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 NHA will be able to perform its obligations under the Project Agreement.

(c) The Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NHA to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that any events specified in paragraphs (a) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 NHA, and is legally binding upon NHA in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division 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 Pakistan
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamabad, Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	(9251) 9205971 (9251) 9210734

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Waqar Masood Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Abid Hasan

Acting Country Director
Pakistan

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Loan, the allocation of the amounts of the Credit and the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in Japanese Yen)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works:			76%
(a) under Part A(i) of the Project	44,910,000	4,932,840,000	
(b) under Part A(ii) of the Project	21,840,000		
(c) under Part A(iii) of the Project	12,310,000		
(d) under Part A(v) of the Project	2,340,000		
(2) Equipment and materials	3,080,000		100% of foreign expenditures; 100% of local expenditures (ex factory cost); and 80% of local expenditures for other items procured locally
(3) Consultants' services	9,110,000		88% of expenditures for foreign firms or individuals; and 98% of expenditures for local firms or individuals

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Loan Allocated (Expressed in Japanese Yen)</u>	<u>% of Expenditures to be Financed</u>
(4) Training and workshops	600,000		100%
(5) Incremental operating costs	530,000		75% until June 30, 2005; 60% from July 1, 2005 until June 30, 2006; 45% from July 1, 2006 until June 30, 2007; 30% from July 1, 2007 until June 30, 2008; and 15% from July 1, 2008 until June 30, 2009
(6) Front End Fee		56,055,000	
(7) Premia for Interest Rate Caps and Interest Rate Collars			Amount due under Section 2.09(c) of the Loan Agreement
(8) Unallocated	11,180,000	616,605,000	
TOTAL	<u>105,900,000</u> =====	<u>5,605,500,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “foreign firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of any country other than that of the Borrower;

(d) the term “local firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of the Borrower; and

(e) the term “incremental operating costs” means the salaries and allowances of additional staff contracted by NHA on or after May 1, 2003, and the operation and maintenance (O&M) costs of office buildings, office equipment, temporary lodgings and vehicles procured, rented or leased by NHA, all for the purposes of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,000,000, may be made on account of payments made for expenditures before that date but after May 1, 2003. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) civil works under contracts costing less than \$500,000 equivalent each; (ii) equipment and materials under contracts costing less than \$200,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; (iv) services of individual consultants under contracts costing less than \$50,000 equivalent each; (v) training and workshops; and (vi) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist with the sustainable delivery of a productive and efficient national highway network, thereby contributing to lower transportation costs.

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: National Highways N-5 and M-9 Network Conservation

Carrying out of:

- (i) phased rehabilitation and safety and capacity improvement of about 550 kilometers of highway;
- (ii) resurfacing and pavement strengthening of an additional 306 kilometers of highway;
- (iii) safety improvement works at about 20 selected locations;
- (iv) relocation of utility lines;
- (v) planting of trees; and
- (vi) a resettlement program to compensate, resettle and/or rehabilitate PAPs in accordance with the Resettlement Policy Framework.

Part B: NHA Policy Support and Institutional Development

1. Adoption of the Medium Term Budgetary Framework (MTBF).
2. Operation of the Road Maintenance Account (RMA).
3. Carrying out of an institutional reform and corporate strengthening program covering: (a) business processes re-engineering, financial management and management information systems; (b) road asset management, pavement systems and standards, and axle load management; (c) road safety practices; (d) environmental management and resettlement practices; and (e) training and human resource development.

4. Carrying out of sector studies and future project preparation.

* * *

The Project is expected to be completed by December 31, 2008.

SCHEDULE 3

Credit Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2) (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to \$15,000,000 to be withdrawn from the Credit Account and deposited into the Credit Special Account pursuant to paragraph 3(a) of this Schedule.
2. Payments out of the Credit 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 Credit Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Credit Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Credit Special Account of an amount or amounts that 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 Credit Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Credit Special Account, the Borrower shall furnish to the Association requests for deposits into the Credit Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Credit Special Account such amount as the Borrower shall have requested and as shall have

been shown by said documents and other evidence to have been paid out of the Credit Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Credit 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 Credit Special Account:

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

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the IDA General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Credit 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 Credit Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Credit Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Credit Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Credit 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 IDA General Conditions.