

CONFORMED COPY

CREDIT NUMBER 2078 PAK

Development Credit Agreement

(Rural Electrification Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 2, 1990

CREDIT NUMBER 2078 PAK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 2, 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 the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards to 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 twenty-three million dollars (\$123,000,000) (the Loan);

(C) 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 expenditures in respect of the Project before disbursements of the proceeds of the Loan are made;

(D) by an agreement between the Borrower and the Overseas Economic Cooperation Fund (OECF) dated November 1, 1988, (the OECF Loan Agreement), the Borrower has contracted a loan in an amount of twenty billion seven

hundred thirty-eight million Japanese Yen
(20,738,000,000) to assist in financing the Project on
the terms and conditions set forth in the OECF Loan
Agreement;

(E) the Borrower intends to obtain from the United
States Agency for International Development (USAID) a
grant in an amount equivalent to fifty-six million
dollars (\$56,000,000) to assist in financing the Project
on terms and conditions set forth in an agreement to be
entered into between the Borrower and USAID (the USAID
Grant Agreement);

(F) the Project will be carried out by the Water
and Power Development Authority of Pakistan (WAPDA) with
the Borrower's assistance and, as part of such
assistance, the Borrower will make available to WAPDA the
proceeds of the Credit as provided in this Agreement and
the proceeds of the Loan as provided 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 of even date
herewith among the Association, the Bank and WAPDA;

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) "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;

(b) "Project Agreement" means the agreement among
the Association, the Bank and WAPDA 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;

(c) "Subsidiary Loan Agreement" means the agreement
to be entered into between the Borrower and WAPDA
pursuant to Section 3.01 (b) of this Agreement, as the
same may be amended from time to time, and such term
includes all schedules to the Subsidiary Loan Agreement;

(d) "Subsidiary Loans means the loan lent to WAPDA
under the Subsidiary Loan Agreement;

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

(f) "WAPDA Act" means the Pakistan Water and Power Development Authority Act, 1958, as amended to the date of this Agreement;

(g) "Rs" or "Rupees" means the currency of the Borrower;

(h) "Core Investment Program" means WAPDA's program of high priority projects, described in a letter dated June 4, 1989, from the Borrower to the Bank, referred to in Recital (B) to the Loan Agreement dated December 8, 1989, Loan Number 3107 PAK (Second Energy Sector Loan), between the Bank and the Borrower, intended to minimize energy shortfalls;

(i) "Rural Electrification Master Plan" or "REMP" means the plan which, inter alia, identifies the names of all non-electrified villages and settlements in the territory of the Borrower, ranked in descending order of their benefit to cost ratios associated with the supply of electricity service to each such village and settlement; and

(j) "FY" means the fiscal year, beginning July 1 and ending June 30, of WAPDA.

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 twenty nine million one hundred thousand Special Drawing Rights (SDR 29,100,000).

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 a commercial bank in Pakistan 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, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 per cent ($3/4$ 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 semi-annual installments payable on each May 1 and November 1 commencing May 1, 2000 and ending November 1, 2024. Each installment to and including the installment payable on November 1, 2009 shall be one and one-fourth percent ($1\frac{1}{4}\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2\frac{1}{2}\%$) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capital, 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 on 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 Secretary to the Government of

Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division of the Borrower is designated as representative 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.

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 WAPDA to perform in accordance with the provisions of the Project Agreement all the obligations of WAPDA 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 WAPDA 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 relend the proceeds of the Credit and the proceeds of the Loan to WAPDA under a subsidiary loan agreement to be entered into between the Borrower and WAPDA, under terms and conditions which shall have been approved by the Association and the Bank, which shall include the following principal terms and conditions: (i) the principal amount of the Subsidiary Loan repayable by WAPDA shall be the equivalent in Rupees (determined as of the date or respective dates of withdrawal from the Credit Account or the Loan Account) of the currency or currencies withdrawn from the Credit Account or the Loan Account; (ii) the Subsidiary Loan shall be repaid by WAPDA in thirty equal installments over twenty years (including five years of grace); (iii) WAPDA shall pay the Borrower interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at the rate of eleven percent (11%) per annum; and (iv) WAPDA shall repay to the Borrower all amounts paid by the Borrower to the Association and the Bank in respect of commitment charges on the proceeds of the Credit and the Loan.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower, the Association and the Bank and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

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 WAPDA 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;
- (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. The Borrower shall cause all federal and provincial governmental agencies and departments to settle all bills for the supply of electricity by WAPDA within three months of receipt of such bills.

Section 4.03. The Borrower shall, not later than July 1, 1990, take the necessary measures so as to enable WAPDA to recover the connection costs from agricultural consumers over the economic life of the tube wells referred to under Parts A 5 and 6 (i) of the Project.

Section 4.04. The Borrower shall, not later than

December 31, 1992, in consultation with the Association and the Bank, formulate and furnish to the Association and the Bank, for review and comment, an action plan to enable WAPDA to enhance the recovery of costs of rural electrification operations.

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) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Borrower or WAPDA to withdraw the proceeds of any loan or grant made to the Borrower or WAPDA for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreements providing therefor; or
 - (B) any such 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 or WAPDA. as the case may be, to perform any of its obligations under such agreement; and
 - (B) adequate funds for the Project are available to the Borrower or WAPDA from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and with the obligations of WAPDA under the Project Agreement.

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

(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 WAPDA will be able to perform its obligations under the Project Agreement.

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

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of WAPDA or for the suspension of its operations.

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 (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section;

(b) the event specified in paragraph (b) 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

(c) the events specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and WAPDA;

(b) the PC-1 document for the Project has been approved by the Executive Committee of the National Economic Council of the Borrower;

(c) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement; and

(d) all conditions precedent to the effectiveness of the USAID Grant Agreement (other than the effectiveness of this Agreement and of the Loan Agreement) or to the right of the Borrower or WAPDA to make withdrawals thereunder shall have been fulfilled.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by WAPDA, and is legally binding upon WAPDA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and WAPDA and is legally binding upon the Borrower and WAPDA 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 Sections 4.02, 4.03 and 4.04 of this Agreement and the provisions of paragraph (a) of Section 5.02 of this Agreement shall cease on the date on which this Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary to the Government of Pakistan Economic Affairs 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:

Secretary of the Government of Pakistan
Economic Affairs Division
Islamabad, Pakistan

Cable address:	Telex:
ECONOMIC Pakistan	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.	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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Mueen Afzal
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hans-Eberhard Kopp
Acting Regional Vice President
Europe, Middle East and North Africa

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 each Category and the percentage of expenditures for financed in each Category:

Amount of the Credit Allocated (Expressed	Amount of the Loan Allocated (Expressed	% of Expendi- tures
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Category	in SDR Equivalent)	in Dollar Equivalent)	to be Financed
(1) Works	0	45,000,000	80%
(2) Materials and equip- ment	29,100,000	50,000,000	100% of foreign ex- penditures, 100% of local ex- penditures (ex-factory cost) and 66% of local expenditures for other items pro- cured locally
(3) Consul- tants' services and train- ing	0	4,000,000	100%
(4) Unallocated	0	24,000,000	
TOTAL	29,100,00	123,000,000	

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 prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 118,000, may be made in respect of Category (3) on account of payments made for expenditures before that date but after June 30, 1989.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) improve rural productivity and quality of life for its rural population; (b) rationalize investments for rural electrification; (c) establish a long-term framework for extension of the rural electric distribution network at least-cost; (d) improve reliability and quality of service and reduce losses in the rural electric distribution network; and (e) minimize electric generating capacity shortfalls through better load management.

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: Infrastructure Development

1. Extension of electricity supply to new villages and settlements.
2. Connection to the established power grid of settlements in close proximity to villages which have already been electrified.
3. Expanding of consumer connections in villages and settlements which have already been partially electrified.
4. Reinforcement and rehabilitation of the existing rural electric distribution network.
5. Extension of electricity supply to approximately 27,000 tube-wells.
6. Installation of: (i) load management devices for controlling the load of approximately 27,000 tubewells; and (ii) approximately 300 meters to introduce peak/off-peak pricing of electricity.

Part B: Mapping

Mapping of unsurveyed villages and settlements within the territory of the Borrower in support of the preparation of the REMP.

Part C: Studies

Carrying out of studies to: (i) produce an actuarial report on WAPDA; and (ii) automate WAPDA's accounting and financial information systems.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 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 or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Credit Account or the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify; and (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 or the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

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

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

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

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

(b) once the total unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories, less 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 equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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