

CONFORMED COPY

LOAN NUMBER 4745-CHA

Loan Agreement

(Hubei Shiman Highway Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 11, 2004

LOAN NUMBER 4745-CHA

LOAN AGREEMENT

AGREEMENT dated October 11, 2004, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project; and

(B) the Project will be carried out by Hubei Province with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Hubei Province, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and Hubei Province (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 Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) with the following modification (the General Conditions) constitute an integral part of this Agreement: the text in Section 5.01 which reads "(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories: or (b)" is deleted in its entirety.

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) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) 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; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons;

(c) “EMDP” means the Ethnic Minorities Development Plan to be adopted by Hubei Province that sets forth the special planning measures or actions to be undertaken by Hubei Province under the Project, aimed at ensuring that national minorities in Hubei Province receive benefits from the Project in a culturally compatible manner and do not suffer adverse effects as a result of the implementation of the Project;

(d) “EMPs” means, collectively, (i) the environmental management plans dated March 2004 and duly adopted by Hubei Province in respect of the Shiyan-Manchuangan Expressway and the connecting roads under Part A.1 of the Project; (ii) the environmental management plans dated March 2004 and duly adopted by Hubei Province in respect of the Baoxia-Zhushan Road and the Jiangjunhe Bridge under Part B.1 of the Project; and (iii) the environmental management plans to be prepared and adopted by Hubei Province in respect of other local road sections under Part B.1 of the Project, in accordance with the provisions of paragraph 1 of Schedule 2 to the Project Agreement; which together set out the environmental protection measures in respect of said Parts of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as the same may be revised from time to time with the agreement of the Bank; and “EMP” means any of the EMPs;

(e) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 3.02 of the Project Agreement;

(f) “HPCD” means the Hubei Province Communications Department, an agency of Hubei Province, and any successor or successors thereto;

(g) “Hubei Province” means the Borrower’s Hubei Province and any successor or successors thereto;

(h) “Local road section” means a local road section selected for financing under Part B.1 of the Project as described in Schedule 2 to this Agreement, in accordance with paragraph 6 of Schedule 2 to the Project Agreement;

(i) “Procurement Plan” means the Borrower’s procurement plan, dated April 1, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(j) “Project Agreement” means the agreement between the Bank and Hubei Province 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;

(k) “RAPs” means, collectively: (i) the resettlement action plan dated March 2004, duly adopted by Hubei Province in respect of Part A.1 and B.1 of the Project, and (ii) the resettlement action plans to be prepared and adopted by Hubei Province in respect of Part B.1 of the Project in accordance with the provisions of paragraph 1 of Schedule 2 to the Project Agreement, which sets out the principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plans, as the same may be revised from time to time with the agreement of the Bank; and such term includes all attachments and annexes supplemental to said plans; and “RAP” means any of the RAPs;

(l) “Resettlement Policy Framework” means the resettlement policy framework dated January 2004, adopted by Hubei Province in respect of Part B.1 of the Project, that sets forth the resettlement principles, organizational arrangements, and design criteria in accordance with which a resettlement action plan would be required to be prepared and is submitted to the Bank for approval; and

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

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Hubei Province.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to two hundred million Dollars (\$200,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for

expenditures made (or, if the Bank 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 Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in United States Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment

Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause Hubei Province to perform in accordance with the provisions of the Project Agreement all the obligations of Hubei Province therein set forth, shall take or cause to be taken all action, including the

provision of funds, facilities, services and other resources, necessary or appropriate to enable Hubei Province 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 Loan available to Hubei Province under terms and conditions satisfactory to the Bank, including the following principal terms:

- (i) Hubei Province shall repay a principal amount equal to the amount equivalent in Dollars (determined on the dates of withdrawal from the Loan Account, or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out;
- (ii) Hubei Province shall repay, in Dollars (A) the principal amount referred to in paragraph (b)(i) above and (B) an amount equal to 1% of the Loan, over a period of twenty (20) years, inclusive of a grace period of five (5) years;
- (iii) Hubei Province shall pay interest on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.06(a) of this Agreement; and
- (iv) Hubei Province shall pay a commitment charge on such principal amount not withdrawn from time to time at a rate equal to three-fourths of one percent ($3/4$ of 1%) per annum.

Section 3.02. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 1 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 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 Hubei Province pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Hubei Province to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause Hubei Province to:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

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

(a) Hubei Province 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 Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Hubei Province will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank 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(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by Hubei Province, and is legally binding upon Hubei Province 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 Minister 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:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Cable address:	Facsimile:
FINANMIN	(86-10) 6855-1125

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD 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 Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ David Dollar

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of 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 Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works:		
(a) under Part A.1(a) of the Project	163,990,000	46%
(b) under Part A.1(b) of the Project	1,780,000	20%
(c) under Part A.1(c) of the Project	11,820,000	80%
(d) under Part A.1(d) of the Project	470,000	20%
(e) under Part B.1 of the Project	10,000,000	20%
(2) Goods	2,790,000	100% of foreign expenditures, 100% of local expenditures (ex- factory costs), 75% of local expenditures for other items procured locally

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(3) Consultants' services	1,820,000	91% of foreign expenditures
(4) Training	330,000	100% of foreign expenditures
(5) Front-end fee	2,000,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	5,000,000	
	<hr/>	
TOTAL	<u>200,000,000</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; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means any expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1, above:

(a) 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 \$10,400,000 may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after March 15, 2004; and

(b) no withdrawals under Category (1)(e) shall be made in respect of payments made for any local road section in respect of Part B.1 of the Project until such

road section has been approved by the Bank in accordance with paragraphs 6 and 7 of Schedule 2 to the Project Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$250,000 equivalent each; (b) works under contracts costing less than \$5,000,000 equivalent each; (c) services provided by consulting firms under contracts costing less than \$100,000 equivalent; (d) services provided by individual consultants under contracts costing less than \$50,000 equivalent; and (e) training; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower's Hubei Province in enhancing the capacity, efficiency and safety of its highway infrastructure in order to: (i) sustain the socio-economic development of the Province and sustain regional integration, (ii) support trade, and (iii) improve the transport links to the Borrower's western provinces.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Highway Capacity Investment

1. Construction of the Shiyan-Manchuangan Expressway in Hubei Province, including: (a) construction of about 106 kilometers of a divided, two-by-two lanes, access-controlled expressway between Shiyan City and the border between Hubei Province and Shaanxi Province, including bridges and tunnels; (b) construction of related toll stations, interchanges, service areas, and facilities for highway administration and maintenance; (c) supply and installation of electrical, electronic, and mechanical equipment for toll collection, traffic monitoring, lighting, and emergency telecommunications facilities on said expressway; and (d) construction of about 6 kilometers of a connecting road in the Shiyan City area.

2. Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of Part A.1 of the Project.

Part B: Local Road Improvement Program

1. Rehabilitation and upgrading of selected local road sections and bridges in the Shiyan City of Hubei Province.

2. Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of Part B.1 of the Project.

Part C: Institutional Strengthening, Policy Development and Road Safety

Carrying out of a program to strengthen the capacity and efficiency in highway management of the Hubei Province Communications Department, including:

1. the carrying out of a training program for staff, including in-country training and training and study tours abroad;
2. the carrying out of a pilot study on expressway asset management;
3. the carrying out of a capital mobilization study;
4. the carrying out of a study on new technologies for road maintenance;
5. the carrying out of a study on group management of projects;
6. the procurement of equipment for: (i) construction quality control and monitoring; (ii) operation and maintenance of the Shiyang-Manchuangan Expressway; and (iii) office and information technology;
7. the preparation of a highway safety management plan; and
8. the preparation of a safety review process for road freight and passenger transport enterprises.

* * *

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

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
March 15, 2010	5,905,000
September 15, 2010	5,950,000
March 15, 2011	6,000,000
September 15, 2011	6,050,000
March 15, 2012	6,100,000
September 15, 2012	6,150,000
March 15, 2013	6,200,000
September 15, 2013	6,250,000
March 15, 2014	6,305,000
September 15, 2014	6,355,000
March 15, 2015	6,410,000
September 15, 2015	6,460,000
March 15, 2016	6,515,000
September 15, 2016	6,570,000
March 15, 2017	6,625,000
September 15, 2017	6,675,000
March 15, 2018	6,730,000
September 15, 2018	6,790,000
March 15, 2019	6,845,000
September 15, 2019	6,900,000
March 15, 2020	6,955,000
September 15, 2020	7,015,000
March 15, 2021	7,070,000
September 15, 2021	7,130,000
March 15, 2022	7,190,000
September 15, 2022	7,250,000
March 15, 2023	7,310,000
September 15, 2023	7,370,000
March 15, 2024	7,430,000
September 15, 2024	7,495,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3) and (4) 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 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 \$14,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$11,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$60,000,000.

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 Bank 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 Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(i) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from 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 paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

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

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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