

CONFORMED COPY

LOAN NUMBER 4056 IN

Loan Agreement

(Uttar Pradesh Rural Water Supply and
Environmental Sanitation Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 22, 1996

LOAN NUMBER 4056 IN

LOAN AGREEMENT

AGREEMENT, dated July 22, 1996, between INDIA, Acting by its President (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, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out in the State of Uttar Pradesh with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the State of Uttar Pradesh the proceeds of the Loan as provided 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, in the Project Agreement of even date herewith between the Bank and the State of Uttar Pradesh;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE 1

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (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) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Uttar Pradesh" means the State of Uttar Pradesh, a State of the Borrower, or any successor thereto;

(c) "Project Agreement" means the agreement between the Bank and Uttar Pradesh 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;

(d) "PMU" means the Project Management Unit, established under the Department of Rural Development of Uttar Pradesh, registered as a society under the Societies Registration Act, 1860, and operating in accordance with its Memorandum of Association and Rules;

(e) "Rules" means the Memorandum of Association and Rules of PMU dated May 11, 1994, as amended;

(f) "DPMUs" means the district level Project Management Units;

(g) "Village" means any local area whether compact or otherwise, recorded as a village in the revenue records of the District concerned and includes an area which Uttar Pradesh may, by a general or special order, declare to be a village;

(h) "Project Villages" means about 1,000 villages in the districts of Dehradun, Tehri, Chamoli, Pauri, Pithoragarh, Uttarkashi, Nainital, Udham Singh Nagar, Almora, Jhansi, Lalitpur, Banda, Hamirpur, Mahoba and Jalaun in Uttar Pradesh;

(i) "Scheme" or "Schemes" mean rural water supply and environmental sanitation facilities to be planned and implemented in the Project Villages in accordance with the criteria referred to in paragraph 3 of Schedule 2 to the Project Agreement;

(j) "Single Schemes" means the Schemes to be carried out under the Project in one or two Project Villages;

(k) "Regional Schemes" means the Schemes to be carried out under the Project in more than two Project Villages;

(l) "VWSC" means Village Water and Sanitation Committee;

(m) "VWSC Order" means Uttar Pradesh Government Order No. 4430/33-1-95-373195, dated December 15, 1995, establishing VWSC as a Subcommittee of the Village Panchayat, under Section 29 (6) of Uttar Pradesh Panchayat Raj Act, 1947;

(n) "Support Organization" means any non-governmental organization or any other community based organization meeting the eligibility criteria referred to in paragraph 2 of Schedule 2 to the Project Agreement, to be selected by PMU to develop a Scheme and to provide necessary support to the VWSC in planning and implementing a Scheme;

(o) "Implementation Manual" means PMU's (i) operations manual, including a PMU/DPMU accounting manual and a Support Organization accounting manual; (ii) training manual; (iii) monitoring and evaluation manual; (iv) technology manual; and (v) standard prices and rates schedule;

(p) "Planning Phase" means the stage during which the community development activities under Part B 1 (i), (ii) and (iii) of the Project are initiated, and in which each Scheme is planned and designed;

(q) "Implementation Phase" means the stage during which the community development activities under Part B 1 (i), (ii) and (iii) are completed, and in which each Scheme is constructed;

(r) "First batch Schemes" means the Schemes planned for about 124 initial Project Villages under the Project;

(s) "Second batch Schemes" means the Schemes planned for about 276 Project Villages under the Project after the First batch Schemes;

(t) "Third batch Schemes" means the Schemes planned for about 375 Project Villages under the Project after the Second batch Schemes;

(u) "Fourth batch Schemes" means the Schemes planned for about 375 Project Villages under the Project after the Third batch Schemes;

(v) "Batch" or "Batches" mean any one or more of the above batches; and

(w) "Fiscal Year" means the Borrower and Uttar Pradesh fiscal year, starting April 1, and ending March 31 of each year.

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, various currencies that shall have an aggregate value equivalent to the amount of fifty-nine million six hundred thousand dollars (\$59,600,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Bank. 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 May 31, 2002 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 commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on March and September 1 in each year.

Section 2.07. 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 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 Loan Agreement, shall cause Uttar Pradesh to perform in accordance with the respective provisions of the Project Agreement all the obligations of Uttar Pradesh 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 Uttar Pradesh 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 Uttar Pradesh in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

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.

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 Uttar Pradesh pursuant to the respective Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were 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 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank'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 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 the report of such audit by said auditors, of such scope and in such detail as the

Bank 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 Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

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

(a) Uttar Pradesh 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 Uttar Pradesh will be able to perform 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 the events specified in paragraphs (a) or (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 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 Uttar Pradesh, and is legally binding upon Uttar Pradesh 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

Representatives of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-31-66175 FINE IN
953-31-61430 FINE IN

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

INDIA

By /s/ N. Valluri

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ D. Joseph Wood

Regional Vice President
South Asia

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods, works and services for the Schemes under Part B of the Project		
(a) Planning Phase	6,500,000	100%
(b) Implementation Phase	37,300,000	80%
(2) Equipment and materials for Part A of the Project	500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items

		procured locally
(3) Consultants' services, studies, training and advertising cost	8,300,000	100%
(4) Incremental operating costs	2,800,000	90% until March 31, 1998; 75% until March 31, 2000; and 50% until March 31, 2002
(5) Unallocated	4,200,000	
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TOTAL	59,600,000	=====

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs" means operation and maintenance costs of additional vehicles, equipment, office space, administration and travel costs, and salaries of additional staff, incurred by PMU for the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$1,000,000 may be made on account of payments made for expenditures before that date but after July 31, 1995;

(b) under Category (1) until the technology manual, under the Implementation Manual, satisfactory to the Bank, has been completed; and

(c) for Regional Schemes under Part B.2 of the Project until the development plan under Part C.2 of the Project has been completed, and an agreement has been reached with the Bank on a set of eligibility criteria for such Regional Schemes.

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 category (2) for contracts not exceeding \$100,000 equivalent, contracts for Single Schemes not exceeding \$100,000, and contracts for Regional Schemes not exceeding \$300,000 equivalent, except for the first 50 contracts under the First batch Schemes; (b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants, respectively; (c) training and advertising; and (d) incremental operating costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) deliver sustainable health and hygiene benefits to the rural population, through improvements in water supply and environmental sanitation services, which

will increase rural incomes through time savings and income opportunities for women, test an alternative to the current supply driven service delivery mechanism and promote sanitation and gender awareness; and (ii) promote the long-term sustainability of the rural water supply and sanitation sector by providing assistance to Uttar Pradesh to identify and implement an appropriate policy framework and strategic plan for the sector.

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 objective:

Part A: Strengthening and Operation of PMU and DPMUs

Strengthening PMU and DPMUs through the provision of equipment and materials, consultants' services and training, and incremental operating costs.

Part B: Selection and Construction of Single and Regional Schemes

1. Community Development:

(a) Capacity building: strengthening of community organization/mobilization through provision of workshops, group discussion, information campaigns and participatory community action planning, training and non-formal education;

(b) Provision of hygiene and environmental sanitation awareness training; and

(c) Women development initiatives: Provision of training to assist (a) women develop skills required to realize the benefits of improved water supply; (b) improve woman's access to the formal credit system; (c) promote women's role in planning and implementing water supply and environmental sanitation Schemes including environmental resource enhancement initiatives; and (d) encourage participation by women in resource mobilization activities such as collection of user charges, and monitoring and evaluation.

2. Construction of Single and Regional Schemes:

(a) carrying out of survey design and provision of construction assistance;

(b) construction, augmentation and rehabilitation of water supply and environmental sanitation Schemes, including spring/stream gravity, tubewells with handpumps/electric pumps, and stream pumping;

(c) protection of the catchment area through activities including the establishment of tree nurseries, reforestation, alternative energy sources to fuelwood, erosion control and other site specific programs;

(d) construction of village drains and community drains;

(e) construction of demonstration and household human waste disposal facilities;

(f) carrying out of environmental management activities such as construction of filtration structures for community ponds, solid waste disposal and mosquitoes and flies control; and

(g) monitoring of construction activities.

Part C: Studies and Sector Development

Carrying out the following:

(a) a water supply and environmental sanitation sector policy study, and preparation of long term strategic plan for the sector;

(b) a development plan for Regional Schemes;

- (c) a major statewide awareness campaign on sanitation and gender issues;
- (d) a water quality and leak detection study;
- (e) preparation of a follow-up water supply project in Uttar Pradesh;
- (f) a study on expanding technology options for rural water supply and environmental sanitation; and
- (g) special studies, as required, to improve the capacity of the rural water supply and environmental sanitation sector to deliver services.

* * *

The Project is expected to be completed by November 30, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
March 1, 2002	1,155,000
September 1, 2002	1,195,000
March 1, 2003	1,240,000
September 1, 2003	1,280,000
March 1, 2004	1,325,000
September 1, 2004	1,375,000
March 1, 2005	1,420,000
September 1, 2005	1,470,000
March 1, 2006	1,520,000
September 1, 2006	1,575,000
March 1, 2007	1,630,000
September 1, 2007	1,685,000
March 1, 2008	1,745,000
September 1, 2008	1,805,000
March 1, 2009	1,870,000
September 1, 2009	1,935,000
March 1, 2010	2,000,000
September 1, 2010	2,070,000
March 1, 2011	2,145,000
September 1, 2011	2,220,000
March 1, 2012	2,295,000
September 1, 2012	2,375,000
March 1, 2013	2,460,000
September 1, 2013	2,545,000
March 1, 2014	2,635,000
September 1, 2014	2,725,000
March 1, 2015	2,820,000
September 1, 2015	2,920,000
March 1, 2016	3,020,000
September 1, 2016	3,145,000

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment

Premium

The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:

Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

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 \$4,000,000 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 \$2,000,000 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 \$6,000,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount to or less than the equivalent of \$1,000,000 shall be made exclusively out of the Special Account. The Bank may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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.
- (ii) 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 with respect to the Project, 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.

