

CONFORMED COPY

LOAN NUMBER 3273 ZIM

(Second Railways Project)

between

ZIMBABWE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 15, 1991

LOAN NUMBER 3273 ZIM

LOAN AGREEMENT

AGREEMENT, dated January 15, 1991, between ZIMBABWE (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 Borrower intends to contract from the United States Agency for International Development (USAID), a grant (the USAID Grant) in an amount equivalent to thirty-nine million four hundred thousand dollars (\$39,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the USAID Grant Agreement) to be entered into between the Borrower and USAID;

(C) the Borrower intends to obtain from Kreditanstalt für Wiederaufbau, a loan (the KfW Loan), in an amount equivalent to seven million six hundred thousand dollars (\$7,600,000) to assist in financing part of the Project on the terms and conditions set forth

in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(D) the Borrower intends to contract from the Finnish International Development Agency (FINNIDA) a loan, in an amount equivalent to four million seven hundred thousand dollars (the FINNIDA Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the FINNIDA Loan Agreement) to be entered into between the Borrower and FINNIDA;

(E) the Borrower intends to contract from the Government of Switzerland (the Swiss Government) a Loan, in an amount equivalent to two million three hundred thousand dollars (the Swiss Loan) to assist in financing part of the Project on terms and conditions set forth in an agreement (the Swiss Loan Agreement) to be entered into between the Borrower and the Swiss Government;

(F) the Borrower intends to contract from the Danish International Development Agency (DANIDA) a grant, in an amount equivalent to three million seven hundred thousand dollars to assist in financing part of the Project on terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA;

(G) the Borrower intends to obtain from the Government of Austria (the Austrian Government) a Loan (the Austrian Loan), in an amount equivalent to one million eight hundred thousand dollars to assist in financing part of the Project on terms and conditions set forth in an agreement (the Austrian Loan Agreement) to be entered into between the Borrower and the Austrian Government;

(H) the Borrower and the National Railways of Zimbabwe (NRZ) intend to obtain from other sources of financing a loan or loans in an amount or amounts equivalent to sixty-three million six hundred thousand dollars (\$63,600,000) to assist in financing part of the Project on the terms and conditions to be set forth in an agreement or agreements to be entered into with such sources of financing;

(I) the Project will be carried out by NRZ with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NRZ 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 and in the Project Agreement of even date herewith between the Bank and NRZ;

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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Project Agreement" means the agreement between the Bank and NRZ 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;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NRZ 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;

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

(d) "Framework for NRZ Operations" means the operating and financial framework adopted by the Borrower on January 17, 1990.

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 thirty-eight million six hundred thousand dollars (\$38,600,000) 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 shall, 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 or 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, 1997 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 percent ($3/4$ 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 semiannually on January 15 and July 15 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.

Section 2.08. NRZ 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 Loan Agreement, shall cause NRZ to perform in accordance with the provisions of the Project Agreement all the obligations of NRZ 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 NRZ 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 Loan to NRZ under a subsidiary loan agreement to be entered into between the Borrower and NRZ under terms and conditions which shall have been approved by the Bank which shall include interest at the rate per annum charged by the Borrower for loans to its parastatal organizations, with principal to be repaid in 20 years including five years of grace. The current rate of interest is 10.50% per annum.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank 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 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) in respect of the Project shall be carried out by NRZ pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial and Other 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 (k) of the General Conditions, the following additional events are specified:

- (a) NRZ 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 NRZ will be able to perform its obligations under the Project Agreement;

(c) the Railways Act (Chapter 261) of the Statute Law of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NRZ to perform any of its obligations under the Project Agreement;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NRZ or for the suspension of its operations;

(e) the Framework for NRZ Operations shall have been amended, suspended, abrogated or waived so as to affect materially and adversely the operations or the financial condition of NRZ or its ability to carry out the Project or to perform any of its obligations under the Project Agreement; and

(f) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower or NRZ for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; and

(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 Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any of the events specified in paragraphs (c), (d), (e) and (f) (i) (B) (subject to the proviso of paragraph (f) (ii)) 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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

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

(b) the Borrower has taken all governmental actions required to implement all substantive provisions of the Framework for NRZ

Operations;

(c) NRZ's tariff for the fiscal year beginning July 1, 1990 has been adjusted in accordance with the relevant provisions of the Framework for NRZ Operations; and

(d) The USAID Grant Agreement has been duly executed on behalf of the Borrower and USAID and all conditions (if any) precedent to initial disbursement of funds under such Agreement, other than fulfillment of the conditions precedent to the effectiveness of this Agreement, have been satisfied.

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

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

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NRZ and is legally binding upon the Borrower and NRZ in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) 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. Except as provided in Section 2.08 of this Agreement, the Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Secretary
Ministry of Finance, Economic
Planning and Development
Private Bag 7705
Causeway, Harare
Zimbabwe

Cable address:

MINFIN
Harare

Telex:

MINFIN 22141 ZW
Zimbabwe

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.

ZIMBABWE

By /s/ S. G. Chigwedere
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Stephen Denning
Acting Regional Vice President
Africa

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) Works	5,000,000	100% of foreign expenditures and 70% of local expenditures
(2) Goods	14,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally
(3) Consultants' services	17,000,000	70% of local expenditures for services of con- sultants domiciled within the terri- tory of the Bor- rower and 100% of foreign expendi- tures for services of other con- sultants
(4) Unallocated	2,600,000	
TOTAL	<u>38,600,000</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; 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in the organizational, financial and asset restructuring of NRZ to enable it to increase the utilization of its existing capacity, cater effectively to the prospective demand for rail transport and to become more financially self-sufficient.

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:

1. Acquisition of about 25 main line locomotives and initial spare parts related thereto.
2. Repowering of 43 shunting locomotives and acquisition of three spare engines.
3. Acquisition of locomotive spare parts for deferred maintenance operations.
4. Acquisition of about 520 drop-sided wagons and about 500 high-sided wagons.
5. Acquisition of about 50 passenger coaches.
6. Acquisition of a telephone exchange, centralized traffic control supervision equipment, portable radio sets for locomotives and yard operations and digital data transmission equipment.
7. Acquisition of a 100-ton diesel-operated crane.
8. Acquisition of plant and machinery for the Bulawayo, Dabuka and Mutare workshops, spare parts for rehabilitation of unserviceable road vehicles and rail and road service vehicles.
9. Acquisition of essential items of equipment, including vacuum pressure impregnation units, coil winder and banding machine for NRZ's electrical workshops.
10. Extension of the electrified section of track between Lochinvar and Mount Hampden by about 22 kilometers and the section between Harare and Msasa by about 6 kilometers and acquisition of about 14 auxiliary auto-transformers.
11. Acquisition of audio visual aids and allied equipment, training models for communications systems, locomotive maintenance and library equipment and centralized traffic control supervision equipment for the NRZ Training School.

Part B: Organizational Restructuring

1. Carrying out a program for the organizational restructuring and strengthening of NRZ through the provision of about 745 person-months of technical advisory services.
2. Carrying out a management development program for NRZ, including the training of its senior and middle-level staff and a program of secondments and attachments to other railways and professional institutions.

Part C: Operational Restructuring

Acquisition of operating information systems, including hardware and software and provision of about 160 person-months of technical advisory services.

Part D: Financial Management and Restructuring

Carrying out a program to assist NRZ to improve its financial management practices, including the provision of technical advisory services for the development of cost accounting and control systems and acquisition of computer software packages and development of accounting systems software.

Part E: Studies

Carrying out of: (i) a locomotive maintenance audit, including the establishment of a permanent inspectorate to carry out regular maintenance audits; (ii) a manpower study; (iii) a management information system strategy study; and (iv) various short-term specific and operational and efficiency studies consistent with the objectives of the Project.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
July 15, 1996	705,000
January 15, 1997	730,000
July 15, 1997	760,000
January 15, 1998	790,000
July 15, 1998	820,000
January 15, 1999	850,000
July 15, 1999	885,000
January 15, 2000	920,000
July 15, 2000	955,000
January 15, 2001	990,000
July 15, 2001	1,030,000
January 15, 2002	1,070,000
July 15, 2002	1,110,000
January 15, 2003	1,155,000
July 15, 2003	1,195,000
January 15, 2004	1,245,000
July 15, 2004	1,290,000
January 15, 2005	1,340,000
July 15, 2005	1,395,000
January 15, 2006	1,445,000
July 15, 2006	1,505,000
January 15, 2007	1,560,000
July 15, 2007	1,620,000
January 15, 2008	1,685,000
July 15, 2008	1,750,000
January 2009	1,815,000
July 15, 2009	1,885,000
January 15, 2010	1,960,000
July 10, 2010	2,035,000

January 15, 2011

2,105,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

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 the 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 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 of \$2,000,000 to be withdrawn from 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 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 a deposit or deposits 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment 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.

