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CONFORMED COPY

LOAN NUMBER 4384-PE

Loan Agreement

(Urban Property Rights Project)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 4, 1998

LOAN NUMBER 4384-PE

LOAN AGREEMENT

AGREEMENT, dated October 4, 1998 between REPUBLIC OF PERU (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 by Comisión de Formalización de la Propiedad Informal (COFOPRI) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to COFOPRI the proceeds of the Loan as provided in this Agreement;

(C)

the Bank has received from the Minister of Finance and Economy and the Minister of Transport, Communications, Housing and Construction a statement, dated July 15, 1998, describing their objectives, policies and actions concerning the titling and registration of informal property in Perú (the Program) and declaring their commitment to such objectives, policies and actions; 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 (as hereinafter defined) of even date herewith; 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 December 2, 1997, (the General Conditions), constitute an integral part of this Agreement.

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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)

"Advisory Committee" means the committee of experts (Comité de Asesoramiento), as provided in Article 55 of the COFOPRI Bylaws (as hereinafter defined), for purposes of advising COFOPRI and RPU on the implementation of the Project in accordance with the provisions of the Operational Manual;

(b)

"Annual Operating Plan" means any of the plans referred to in Section 2.06 (c) of the Project Agreement (as hereinafter defined), as approved by the Bank;

(c)

"Collaboration Agreement" means the agreement, satisfactory to the Bank, to be entered into between COFOPRI and RPU pursuant to Section 2.04 (b) of the Project Agreement;

(d)

"COFOPRI" means the Comisión de Formalización de la Propiedad Informal, the commission for the formalization of informal property established by the Borrower's Decreto Legislativo 803 dated March 15, 1996, as amended, and published in the Borrower's Official Gazette on March 22, 1996;

(e)

"COFOPRI By-laws" means the by-laws, estatutos, of COFOPRI approved through the Borrower's Decreto Supremo No. 014-98-MTC dated June 15, 1998 and published in the Borrower's Official Gazette dated June 17, 1998, as amended from time to time;

(f)

"COFOPRI Law" means the Borrower's Decreto Legislativo 803, dated March 15, 1996, and published in the Borrower's Official Gazette on March 22, 1996, as amended from time to time and including all regulations thereto and the COFOPRI By-laws;

(g)

"Informal Settlements" means each of the informal urban settlements in the Project Area, defined as asentamientos humanos, urbanizaciones populares de interés social, cooperativas de vivienda, asociaciones de vivienda and centro urbano informal, under the COFOPRI Law and further described in the Operational Manual;

(h)

"Key Positions" means the following positions within the organizational structure of COFOPRI and RPU: (i) in the case of COFOPRI, the Gerente de Proyecto, Coordinador de Finanzas y Contabilidad, Coordinador de Administración, Coordinador de Adquisiciones, Coordinador de Tecnología de la Información, Coordinador del Marco Legal e Institucional, Coordinador de Otros Componentes, Gerente de Planeamiento y Operaciones, Gerente de Titulación, Gerente de Campo and Gerente de Declaración de Propiedad; (ii) in the case of RPU, the Gerente Registral and Gerente de Sistemas del Registro Predial Urbano; as such positions are provided and described in the COFOPRI By-laws and the Operational Manual;

(i)

"Legislation" means the COFOPRI Law, the RPU Law and other laws and regulations relevant to the registration and titling of informal property under the Project;

(j)

"National Formalization Plan" means the Borrower's plan for the registration and titling of informal property in Perú, including the methodology and procedures applicable to such registration and titling, as such plan is contained in the Project Implementation Plan (as hereinafter defined);

(k)

"Operational Manual" means the set of rules and procedures, satisfactory to the Bank, to be approved by COFOPRI and RPU pursuant to Section 6.01 (d) of this Agreement, for the management and implementation of the Project including, inter alia, the personnel and terms of reference of COFOPRI and RPU assigned to the Project; terms of reference, model contracts and remuneration scales for all consultants to be retained under the Project; contractual and administrative arrangements for the coordination and execution of the Project and flow of funds and monitoring and evaluation procedures in respect of the Project;

(l)

"Project Agreement" means the agreement between the Bank and COFOPRI 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;

(m)

"Project Area" means the Borrower's Departamentos, departments of Chiclayo, Chimbote, Piura, Trujillo, Arequipa, Huaraz, Iquitos and Lima or any other additional or substitute department as may be agreed between the Borrower and the

Bank;

(n)

"Project Implementation Plan" means the plan for the implementation of the Project as set forth in the document, satisfactory to the Bank, dated April 3, 1998 as such document may be amended from time to time by agreement between the Bank and COFOPRI;

(o)

"Performance Indicators" means the indicators of Project performance and impact as set forth in the letter from COFOPRI to the Bank of even date herewith;

(p)

"RPU" means the Borrower's Registro Predial Urbano, urban public registry, established by the Borrower's Decreto Legislativo 495 dated November 14, 1988, and published in the Borrower's Official Gazette on November 15, 1988; and

(q)

"Subsidiary Agreement" means the agreement to be entered into between the Borrower and COFOPRI 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 Agreement.

## 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 thirty eight million dollars (\$38,000,000).

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 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 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2003 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 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 2.06 of this Agreement.

(iii)

"LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in 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) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the

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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 2.05, 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 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 2.06. Interest and other charges shall be payable on February 15 and August 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.

### 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 limitation or restriction upon any of its other obligations under the Loan Agreement: (i) shall cause COFOPRI and RPU to perform all of their respective obligations set forth in the Project Agreement and the Collaboration Agreement; (ii) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable COFOPRI and RPU to perform such obligations; and (iii) shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b)

Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall make available the proceeds of the Loan to COFOPRI under an agreement to be entered into between the Borrower and COFOPRI, under terms and conditions which shall have been approved by the Bank.

(c)

The Borrower shall exercise its rights under the Subsidiary 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, waive or fail to enforce the Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods

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 the Schedule 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 COFOPRI pursuant to 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

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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 (I) of the General Conditions, the following additional events are specified:

(a)

COFOPRI shall have failed to perform any of its obligations under the Project Agreement.

(b)

COFOPRI or RPU shall have failed to perform any of their obligations

under the Collaboration Agreement.

(c)

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

(d)

The Legislation shall have been amended, suspended, abrogated, repealed waived in any manner so as to affect materially and adversely, in the opinion of the Bank, the ability of COFOPRI to perform any of its obligations under the Project Agreement or the Collaboration Agreement or the ability of RPU to perform any of its obligations under the Collaboration Agreement.

(e)

The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of COFOPRI or RPU or for the suspension of any of their operations.

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

(a)

any events specified in paragraphs (a) or (b) 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; and

(b)

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

#### ARTICLE VI

Effective Date; Termination

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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)

that the Subsidiary Agreement shall have been executed on behalf of the respective parties thereto;

(b)

that the Collaboration Agreement shall have been executed on behalf of the respective parties thereto;

(c)

that COFOPRI shall have established and made operational a financial management system satisfactory to the Bank;

(d)

that COFOPRI and RPU have approved the Operational Manual;

(e)

that COFOPRI and RPU have retained personnel for each of the Key Positions with experience, qualifications and under terms of reference satisfactory to the Bank;

(f)

that RPU has put into effect, in form and substance satisfactory to the Bank, adjustments to all of its user fees as agreed with the Bank; and

(g)

that COFOPRI has put into effect, in form and substance satisfactory to the Bank, a fee for the issuance of titles in accordance with the criteria and rate agreed with the Bank.

Section 6.02. The following is specified as additional matter, with 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 Subsidiary Agreement and the Collaboration Agreement shall have been duly authorized or ratified by the respective

parties thereto and are legally binding upon such parties in accordance with their respective terms.

Section 6.03. The date January 7, 1999 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 Economy and 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 Economy and Finance

Jirón Junín 319

Lima 1

Perú

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:

INTBAFRAD

248423 (MCI) or

Washington, D.C.

64145 (MCI)

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.

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REPUBLIC OF PERU

By /s/

Jorge Baca Campodónico

Authorized Representative

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki

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:

Amount of the  
Loan Allocated

% of

(Expressed in  
Expenditures

Category

Dollars)

to be Financed

(1)

Goods  
11,120,000  
100% of foreign  
expenditures and  
80% of local  
expenditures  
(2)  
Consultants'  
23,540,000  
100% of foreign  
Services expenditures  
and  
and Training  
80% of local  
expenditures  
(3)  
Operating  
3,340,000  
50%  
Costs  
TOTAL  
38,000,000

2.

For the purposes of this Schedule:

(a)

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

(b)

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

(c)

the term "Training" means expenditures (other than for consultants' services) incurred for: (i) training materials; (ii) rental of training facilities; (iii) transportation expenses of trainees; (iv) subsistence expenses for trainees; (v) scholarships and fellowships for training courses locally or abroad; and (vi) study tours and internships locally or abroad; and

(d)

the term "Operating Costs" means expenditures for transportation and communication services, office rentals and maintenance, office materials and supplies, printing and documents reproduction services and vehicles operation and maintenance required by COFOPRI and RPU for the implementation and supervision of the Project.

3.

Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,500,000, may be made in respect of Categories (1) and (2) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 1, 1998.

4.

The Bank may require withdrawals from the Loan Account to be made on the basis  
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of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent; (b) services under consulting contracts with individuals costing \$50,000 equivalent or less; (c) services under consulting contracts with firms costing \$100,000 equivalent or less; (d) Training; and (e)



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 objective of the Project is to assist the Borrower in the issuance of formal and sustainable property rights to real property in Informal Settlements in the Project Area.

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:

##### Urban Property Market Reforms

1.

Provision of legal advisory services to assist COFOPRI in conducting analytical studies, and drafting of necessary laws and regulations to: (a) enhance the accessibility of the property formalization process in areas such as property delineation, land administration, transactions costs and conflict resolution methods; and (b) enhance the market use of the property rights issued under the Project.

2.

Development of a conceptual basis to evaluate the economic and social impact of the Project through the carrying out of household surveys, land value assessments, studies and client surveys.

#### Part B:

##### Institutional Strengthening

1.

A program to strengthen the institutional capabilities of RPU through: (a) the establishment and operation of management information systems; (b) design and implementation of a customer relations and services program; and (c) the formulation of a long-term strategy.

2.

A program to strengthen the institutional capabilities of COFOPRI through: (a) the establishment and operation of management operations systems; (b) the production of base mapping and cadastral plans; (c) design and implementation of a customer relations and services program; (d) office refurbishing; and (e) upgrading of equipment in the cartographic unit.

3.

A program to develop mechanisms to improve the viability and efficiency of COFOPRI and RPU including: (a) the development and establishment of accountability mechanisms; (b) studies and measures to improve their respective budgetary and administrative autonomy; (c) development and establishment of public consultation mechanisms; (d) development and implementation of a strategy for the functioning of RPU and RPI; and (e) development and implementation of a long-term strategy for COFOPRI.

4.

A program of human resource development consisting of: (a) training of COFOPRI and RPU staff in the operation of registry systems, map surveying and management; and (b) the design and implementation of a human resources management strategy.

#### Part C:

##### Property Formalization

1.

Improvement of COFOPRI's activities in the collection and analysis of property related data through the updating of its computerized process management control system and the carrying out of technical audits on data collected and stored under the National Formalization Plan.

2.

Issuance and registration of about 800,000 titles to real property, and

registration of about 950,000 property lots, in accordance with the National Formalization Plan through, inter alia: (a) the contracting of consulting firms to evaluate the physical and legal status of the land occupied by the respective Informal Settlements; (b) the contracting of consulting firms and/or individual technical experts to identify the individual possessors of the respective lands, collect evidence of possession and determine eligibility for transfer of title; (c) contracting of additional RPU registrars, registradores, (to be financed with local counterpart funds) to carry out the appropriate registration of the titles issued by COFOPRI; and Page 9  
(d) acquisition and utilization of mapping, equipment and vehicles.

\* \* \*

The Project is expected to be completed by December 31, 2002.

#### SCHEDULE 3

Amortization Schedule

Payment of Principal

Date Payment Due

(expressed in Dollars)\*

On each February 15 and August 15

beginning February 15, 2004

1,585,000

through February 15, 2015

and on August 15, 2015

1,545,000

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\*

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) or (3) 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 equal to \$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 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.

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(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.