

Public Disclosure Authorized

**CONFORMED COPY**

**LOAN NUMBER 4727-CHA**

# **Loan Agreement**

**(Wuhan Urban Transport Project)**

**between**

**PEOPLE'S REPUBLIC OF CHINA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 12, 2004**

Public Disclosure Authorized

**LOAN NUMBER 4727-CHA**

**LOAN AGREEMENT**

AGREEMENT, dated May 12, 2004, between the PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and Wuhan (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) "Displaced Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of

livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons;

(c) “EMPs” means, collectively, (i) the environmental management plan dated December 2003 and duly adopted by Wuhan in respect of Parts A and C of the Project; and (ii) the environmental management plans to be prepared and adopted by Wuhan in respect of Parts A and C of the Project, as required, which together set out the environmental protection measures in respect of said Parts of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as the same may be revised from time to time with the agreement of the Bank; and “EMP” means any of the EMPs;

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

(e) “Fiscal Year” means Wuhan’s fiscal year commencing January 1 and ending December 31;

(f) “Hubei” means the Borrower’s Hubei Province, and any successor thereto;

(g) “Municipal Project Leading Group” means the Group established on January 4, 2001;

(h) “Project Agreement” means the agreement between the Bank and Wuhan 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;

(i) “Project Implementation Plan” and “PIP” means the plan dated September 2003, to assist Wuhan in the implementation of the Project, as such plan may be amended from time to time in agreement with the Bank;

(j) “Project Office” means the Office established on December 10, 2001, in the Wuhan Capital Investment Management Office for Urban Construction;

(k) “RAPs” means, collectively, (i) the resettlement action plan dated October 2003, duly adopted by Wuhan in respect of Parts A and C of the Project, and (ii) the resettlement action plans to be prepared and adopted by Wuhan, as needed, in respect of Parts A and C of the Project, which plans sets out the principles and procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plans, as the same may be

revised from time to time with the agreement of the Bank; and such term includes all attachments and annexes supplemental to said plans; and “RAP” means any of the RAPs;

(l) “Resettlement Policy Framework” and “RPF” mean the resettlement policy framework dated December 2003, adopted by Wuhan in respect of Parts A and C, that sets forth the resettlement principles, organizational arrangements, and design criteria in accordance with which a resettlement action plan is prepared and submitted to the Bank for approval;

(m) “Wuhan” means the Borrower’s Municipality of Wuhan in Hubei Province, and any successor or successors thereto;

(n) “Wuhan Public Transport Group Company” means the wholly state-owned company established under the Company Law and operating pursuant to Articles of Association dated June 25, 2003, and Business License Number 4201001103178 issued by the Wuhan Municipal Business and Commerce Bureau; and

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

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

## **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 this Loan Agreement, an amount equal to two hundred million Dollars (\$200,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

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

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

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

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

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

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, in respect of the Loan, 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, in respect of the Loan, for each Interest Period: (A) three-fourths of one percent ( $3/4$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

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

Section 2.07. Interest and other charges shall be payable semi-annually in arrears on May 15 and November 15 in each year.

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

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall, through Hubei, cause Wuhan to perform in accordance with the provisions of the Project Agreement all the obligations of Wuhan 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 Wuhan 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 Wuhan, through Hubei, under terms and conditions satisfactory to the Bank, including the following principal terms:

- (i) Wuhan shall repay a principal amount equal to the amount equivalent in Dollars (determined on the dates of withdrawal from the Loan Account, or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out;
- (ii) Wuhan shall repay, in Dollars (A) the principal amount referred to in paragraph (b)(i) above and (B) an amount equal to 1% of the Loan, over a period of twenty (20) years, inclusive of a grace period of five (5) years;

- (iii) Wuhan shall pay interest on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.06(a) of this Agreement;
- (iv) Wuhan shall pay a commitment charge on such principal amount not withdrawn from time to time at a rate equal to three-fourths of one percent (3/4 of 1%) per annum.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

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 Wuhan pursuant to Section 2.03 of the Project Agreement.

## **ARTICLE IV**

### **Financial Covenants**

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

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

- (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
  - (ii) enable the Bank's representatives to examine such records; and
  - (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

## **ARTICLE V**

### **Remedies of the Bank**

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

- (a) Wuhan shall have failed to perform any of its obligations under the Project Agreement; and
- (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 Wuhan will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.



## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by Wuhan, and is legally binding upon Wuhan in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable address:

FINANMIN

Facsimile:

(86-10) 6855-1125

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works	157,400,000	52%
(2) Goods	28,200,000	100% of foreign expenditures, 100% of local expenditures (ex- factory costs) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training	6,600,000	91%
(4) Front-end fee	2,000,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	<u>5,800,000</u>	
TOTAL	<u>200,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

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

3. Notwithstanding the provisions of paragraph 1, above, 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 \$15,000,000, may be made in respect of Categories (1), (2) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 16, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$400,000 equivalent per contract; (b) works costing less than \$4,000,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; and (d) services of consulting firms costing less than \$200,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower's Municipality of Wuhan to develop an integrated, efficient and sustainable transport infrastructure in support of the social and economic development of the Municipality of Wuhan.

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: Road Network Development**

1. Improvement of the operation of the road network within Wuhan, and expansion of the bicycle and pedestrian infrastructure through:

(a) the provision of suitable routes for external and cross-town traffic through the construction of primary arterial roads and associated interchanges, and construction and upgrading of urban arterial roads and local roads;

(b) the improvement of the utilization of existing cross-river bridges across the Yangtse and Han rivers through the construction of ramps and link roads;

(c) relief of congestion in central downtown areas through the construction of interchanges, junction improvements, construction of vehicular underpasses and flyovers, construction, widening and improvement of various urban arterial roads, and construction and widening of local roads;

(d) the provision of adequate road infrastructure to support growth in development areas in the city through the construction of access roads to residential areas and new development sites; and

(e) the provision of safe conditions for pedestrians through the construction of footbridges and underpasses.

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

Part B: Traffic Management and Road Safety

1. Carrying out of comprehensive traffic management measures to address the problems of congestion in the central area of Wuhan, inadequate cross river capacity and pedestrian safety, through:

(a) the construction of mid-block signalized pedestrian crossings and the installation of traffic signals at junctions that include pedestrian phases;

(b) the establishment of non-motor vehicle priority routes, including routes with motor vehicle segregation and routes with motor vehicle restrictions;

(c) the establishment of bus priority measures through the establishment of bus lanes on selected roads;

(d) the carrying out of a program of junction channelization and establishment of traffic facilities including channelization of vehicles in direct and clear paths, and installation of hatched markings, road lining, signs and barriers;

(e) the carrying out of an area traffic control and traffic signal upgrading program;

(f) the carrying out of a road safety and accident analysis program to improve road safety and accident analysis procedures;

(g) the carrying out of a road user education program; and

(h) the provision of motorized and hand-pulled road marking vehicles to paint and remove thermoplastic lines.

Part C: Public Transport

1. Increase in the efficiency, effectiveness and attractiveness of bus services in the city of Wuhan through:

(a) the introduction of a computerized management information system to increase the efficiency of operators in routine administrative and technical tasks;

(b) the introduction of a satellite-based bus location system to improve the on-street management of bus operations;

(c) the improvement of passenger facilities and service through the construction and upgrading of interchanges, bus terminals, bus bays and bus stops; and

(d) the implementation of a proposed pilot bus rapid transit scheme, in accordance with the recommendations of the concerned studies under Part F of the Project.

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

Part D: Road Maintenance

1. Carrying out a reform of the current road maintenance management system so as to increase the efficiency and effectiveness of maintenance works, and the amount of roads maintained in good condition, through:

(a) the reconstruction of the existing road pavement on selected heavily damaged roads;

(b) the acquisition of routine road maintenance equipment; and

(c) the development of a comprehensive maintenance management system to provide municipal decision makers with a tool for analysis of maintenance requirements, the planning, programming and budgeting of maintenance works, and the management of the city road network database.

Part E: Environmental Management

1. Carrying out of measures to mitigate environmental impacts of increased travel, and the construction of roads, through:

(a) the expansion of the noise and air quality environmental monitoring system, including acquisition of related equipment and vehicles;

(b) the provision of facilities for noise mitigation in accordance with the provisions of the EMPs;

(c) the provision of greening along the right-of-way of roads built under the Project; and

(d) the expansion of the vehicle emission inspection and maintenance program, including acquisition of related equipment.

Part F: Capacity Building and Technical Assistance

1. Wuhan Urban Transport Strategy:
  - (a) Capacity building of the relevant Wuhan agencies in transport planning, policy formulation and investment programming, including provision of technical assistance.
  - (b) Provision of technical assistance for the integration of the Wuhan Urban Transport Strategy into the overall transport strategy for the Wuhan municipality, and the production of a “White Paper” urban transport policy statement.
  - (c) Provision of technical assistance for the carrying out of further studies and in-depth analysis, including the preparation of an investment program for the period 2007-2012 based on the results of such studies.
  - (d) Continuation of the carrying out of the study on the travel needs of the poor and vulnerable, and systematic use of the results in the detailed design of Project components.
2. Provision of relevant training to the staff of the Project implementing agencies, including study tours.
3. Provision of training to staff at the bus companies, and other agencies as appropriate, relating to the improvement of the forward planning process for bus services in Wuhan through the preparation of five-year plans by each of the bus operating companies.
4. Provision of technical assistance for the supervision of civil works construction under the Project.
5. Carrying out of studies and designs for purposes of Parts A through E of the Project, including provision of technical assistance.
6. Provision of technical assistance to Wuhan for the implementation of the public transport reform program.
7. Provision of office equipment to the Project implementing agencies.

\* \* \*

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



**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars) *</u>
November 15, 2009	5,910,000
May 15, 2010	5,960,000
November 15, 2010	6,010,000
May 15, 2011	6,060,000
November 15, 2011	6,105,000
May 15, 2012	6,155,000
November 15, 2012	6,205,000
May 15, 2013	6,255,000
November 15, 2013	6,310,000
May 15, 2014	6,360,000
November 15, 2014	6,410,000
May 15, 2015	6,465,000
November 15, 2015	6,515,000
May 15, 2016	6,570,000
November 15, 2016	6,625,000
May 15, 2017	6,675,000
November 15, 2017	6,730,000
May 15, 2018	6,785,000
November 15, 2018	6,840,000
May 15, 2019	6,900,000
November 15, 2019	6,955,000
May 15, 2020	7,010,000
November 15, 2020	7,070,000
May 15, 2021	7,125,000
November 15, 2021	7,185,000
May 15, 2022	7,240,000
November 15, 2022	7,300,000
May 15, 2023	7,360,000
November 15, 2023	7,420,000
May 15, 2024	7,490,000

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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) and (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 the amount of \$12,000,000 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 the amount of \$7,500,000 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 \$40,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (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, 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.