

CONFORMED COPY

LOAN NUMBER 3748 CHA

Loan Agreement

(National Highway Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 29, 1997

LOAN NUMBER 3748 CHA

LOAN AGREEMENT

AGREEMENT, dated August 29, 1997, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out by the Project Provinces (as defined in Section 1.02 (n) of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to each Project Province 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 the Project Provinces;

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 (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "GPCD" means Guangdong Provincial Communication Department and any successor thereto;

(b) "Guangdong" means Guangdong Province, a political sub-division of the Borrower, and any successor thereto;

(c) "Guangdong EAP" means the People's Republic of China National Highway Project II: Xiaotang-Gantang Expressway Environmental Action Plan, dated July 1996, which sets out environmental protection measures as well as administrative and monitoring arrangements to ensure the implementation of said measures;

(d) "Guangdong Interconnecting Roads" means the roads to be constructed in Guangdong under Part A (1) (b) of the Project;

(e) "Guangdong RAP" means the People's Republic of China National Highway II Xiaotang-Gantang Resettlement Action Plan dated July 1996 which sets out the procedures governing land acquisition, resettlement and compensation, as well as monitoring and reporting arrangements to ensure compliance with said plan;

(f) "Guangdong Special Account" means the account referred to in Section 2.02 (b) (i) of this Agreement;

(g) "HPCD" means Hunan Provincial Communication Department and any successor thereto;

(h) "Hunan" means Hunan Province, a political sub-division of the Borrower, and any successor thereto;

(i) "Hunan EAPs" means, collectively, (i) the China National Highway II Project: Hunan Highway Corridor Project, Xiangtan-Leiyang Project Environmental Action Plan (3rd Revised Version); (ii) the China National Highway II Project: Hunan Xiangtan-Leiyang Freeway, Zhuzhou-Xiangtan Connecting Road Environmental Action Plan (Revised Version); and (iii) the China National Highway II Project: Hunan Loudi-Lianyuan Class II Auto-only Highway Environmental Action Plan (2nd Revised Version), each dated May 1996, which set out environmental protection measures as well as administrative and monitoring arrangements to ensure the implementation of said measures, and "Hunan EAP" means any one of the Hunan EAPs;

(j) "Hunan Interconnecting Roads" means the roads to be constructed in Hunan under Part B (1) (b) of the Project;

(k) "Hunan RAP" means the Guangdong-Hunan Expressway Corridor Project: Hunan Section (National Highway II Project) Resettlement Action Plan (4th Revised Edition), and the Loudi-Lianyuan Highway Resettlement Action Plan, both dated May 1996, which set out the procedures governing land acquisition, resettlement and compensation, as well as monitoring and reporting arrangements to ensure compliance with said plans;

(l) "Hunan Special Account" means the account referred to in Section 2.02 (b) (ii) of this Agreement;

(m) "Project Agreement" means the agreement between the Bank and the Project Provinces 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;

(n) "Project Provinces" means, collectively, Guangdong and Hunan; and "Project Province" means either of the Project Provinces;

(o) "Respective EAPs" means, in respect of: (i) Guangdong, the Guangdong EAP; and (ii) Hunan, the Hunan EAPs;

(p) "Respective Part of the Project" means, in respect of: (i) Guangdong, Part A of the Project; and (ii) Hunan, Part B of the Project;

(q) "Respective Proceeds of the Loan" means, in respect of: (i) Guangdong, the proceeds of the Loan allocated from time to time to Category 1; and (ii) Hunan, the proceeds of the Loan allocated from time to time to Category 2, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(r) "Respective RAP" means, in respect of: (i) Guangdong, the Guangdong RAP; and (ii) Hunan, the Hunan RAP;

(s) "Special Accounts" means, collectively, the Guangdong Special Account and the Hunan Special Account; "Special Account" means either of the Special Accounts; and "Respective Special Account" means, in respect of: (i) Guangdong, the Guangdong Special Account; and (ii) Hunan, the Hunan Special Account;

(t) "Xiangtan-Leiyang Expressway" means the highway between Xiangtan and Leiyang in Hunan to be constructed under Part B (1) (a) of the Project; and

(u) "Xiaotang-Gantang Expressway" means the highway between Xiaotang and Gantang in Guangdong to be constructed under Part A (1) (a) of the Project.

## 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 four hundred million dollars (\$400,000,000).

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 the following two special deposit accounts, each in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment: (i) one for purposes of Part A of the Project, and (ii) one for purposes of Part B of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 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 per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to 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 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 objections thereto, in which case said modification shall not apply to the Loan.

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.

### 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 each Project Province to perform in accordance with the provisions of the Project Agreement all the obligations of such Project Province therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each Project Province to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available to each Project Province its Respective Proceeds of the Loan on the following principal terms:

(i) the principal amount so made available shall be the amount withdrawn from the Loan Account or paid out of the Respective Special Account, on account of the cost of goods, works and services required for such Project Province's Respective Part of the Project and to be financed out of the proceeds of the Loan;

(ii) each Project Province shall repay the principal amount so made available to it over a period of twenty (20) years, inclusive of a grace period of five (5) years; and

(iii) the Borrower shall charge each Project Province: (A) interest on the principal amount so made available and withdrawn and remaining unpaid from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of this Agreement, and (B) a commitment charge on the principal amount so made available and 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 each Project Province 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 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 including those for the Special Accounts 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 6 months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

#### ARTICLE V

##### Remedies of the Bank

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

(a) Either Project Province shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that either Project Province will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (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 each Project Province, and is legally binding upon such Project Province in accordance with its terms.

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

#### ARTICLE VII

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

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:

248423 (MCI) or  
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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhou Wenzhong

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Acting Regional Vice President  
East Asia and Pacific

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<br>Loan Allocated<br>(Expressed in<br>Dollars) | % of<br>Expenditures<br>to be<br>Financed   |
|--|--|---|
| 1. Guangdong Province:   |  |   |
| (a) Civil works under<br>Part A (1) of the Project   | 129,700,000  | 34%   |
| (b) Supply and installation<br>of electronic, electric and<br>mechanical equipment<br>under Part A (1) of<br>the Project | 39,300,000   | 80%   |
| (c) Goods under Part A of<br>the Project   | 7,700,000  | 100% of foreign<br>expenditures,<br>100% of local<br>expenditures<br>(ex-factory cost)<br>and 75% of local<br>expenditures for<br>other items<br>procured locally |
| (d) Consultants' services<br>and training under Part A<br>of the Project   | 3,300,000  | 100%  |
| (e) Unallocated for<br>Part A of the Project   | 20,000,000   |   |
| 2. Hunan Province:   |  |   |
| (a) Civil works under<br>Part B (1)<br>the Project   | 160,000,000  | 48%   |
| (b) Supply and installation<br>of selectronic, electric and<br>mechanical equipment                                      | 9,000,000  | 80%   |

under Part B (1)  
of the Project

|  |             |   |
|--|-------------|---|
| (c) Goods under Part B<br>of the Project                                 | 6,800,000   | 100% of foreign<br>expenditures, 100%<br>local expenditures<br>(ex-factory cost) and<br>75% of local<br>expenditures for<br>other items<br>procured locally |
| (d) Consultants' services<br>and training under<br>Part B of the Project | 3,600,000   | 100%  |
| (e) Unallocated for<br>Part B of the Project                             | 20,000,000  |   |
| TOTAL  | 400,000,000 |   |

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; 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, except that withdrawals:

(a) in an aggregate amount not to exceed \$18,000,000 under Category 2 (a);

(b) in an aggregate amount not to exceed \$200,000 under each of Categories 1 (c) and 2 (c); and

(c) in an aggregate amount not to exceed \$1,000,000 under each of Categories 1 (d) and 2 (d);

may be made on account of payments made for expenditures before that date but after June 30, 1996.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods under contracts costing less than \$250,000 equivalent;

(b) works under contracts costing less than \$2,000,000 equivalent;

(c) consultants' services under contracts with firms or individuals costing less than \$100,000 equivalent and \$50,000 equivalent, respectively; and

(d) training;

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to support the continuing development of road infrastructure in China; (b) to improve the economic integration between Guangdong and Hunan; (c) to strengthen the highway sector institutional capacity in



Guangdong and Hunan; and (d) to improve the safety of road transport in Guangdong and Hunan.

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: Guangdong Province

(1) Construction of Highways

(a) Construction of a four-lane highway of about 109 kilometers (km) between Xiaotang and Gantang in Guangdong (the Xiaotang-Gantang Expressway), including the supply and installation of electronic, electrical and mechanical equipment for toll collections, traffic monitoring, telecommunications, tunnel ventilation and lighting, and the construction of administration and maintenance buildings and service facilities.

(b) Construction and upgrading of about 2 km of interconnecting road sections for the Xiaotang-Gantang Expressway.

(c) Provision of equipment and technical assistance for the control of construction quality and environmental monitoring during the construction phase of the Xiaotang-Gantang Expressway; and provision of equipment for the operation and maintenance thereof.

(2) Institutional Strengthening and Training

(a) Carrying out of a study of the effects of expressway construction on transport and economic integration in the Changsha, Guangzhou, Hong Kong corridor and of their comparative impacts on different modes of transport.

(b) Strengthening of the institutional capabilities of the highway sector, specifically in the areas of highway operation, maintenance and finance, through the provision of consultants' services, training and equipment.

(3) Program of Expressway Safety

Development and implementation of a program of safety for expressways consisting of the development of safety manuals, standards for road signs, markings and lightings, and procedures for traffic and accident management.

Part B: Hunan Province

(1) Construction of Highways

(a) Construction of a four-lane highway of about 169 km between Xiangtan and Leiyang in Hunan (the Xiangtan-Leiyang Expressway), including the supply and installation of electronic, electrical and mechanical equipment for toll collections, traffic monitoring, telecommunications and lighting, and the construction of administration and maintenance buildings and service facilities.

(b) Construction and upgrading of about 39 km of interconnecting roads for the Xiangtan-Leiyang Expressway, including a four-lane Class I highway of about 16 km between Xiangtan and Zhuzhou in Hunan.

(c) Construction of a Class II highway of about 60 km between Loudi and Lianyuan in Hunan.

(d) Provision of equipment and technical assistance for the control of construction quality and environmental monitoring during the construction phase of the Xiangtan-Leiyang Expressway, the Hunan Interconnecting Roads and the highway referred to in Part B(1)(c) of the Project; and provision of equipment for the operation and maintenance thereof and for the maintenance of the provincial road network.

(2) Institutional Strengthening and Training

(a) Carrying out of a study of the management of highway maintenance in order to review the institutional arrangements, policies and procedures required for effective highway maintenance and to develop recommendations for a multi-year highway maintenance program.

(b) Carrying out of a study to analyze the longer-term options for the commercialization of expressways.

(c) Strengthening of the institutional capabilities of the highway sector in the areas of highway planning, design, construction, operation, maintenance and finance, through the provision of consultants' services, training and equipment.

(3) Program of Road Safety

Implementation of a program of road safety consisting of the development of (a) an annual road safety seminar program; (b) a manual on safety at roadworks; (c) a safety audit manual; and (d) a system of analysis of selected accident black spots along National Route 107.

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The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal<br>(expressed in dollars)* |
|------------------|---|
| July 15, 2002    | 8,410,000                                       |
| January 15, 2003 | 8,660,000                                       |
| July 15, 2003    | 8,920,000                                       |
| January 15, 2004 | 9,185,000                                       |
| July 15, 2004    | 9,465,000                                       |
| January 15, 2005 | 9,745,000                                       |
| July 15, 2005    | 10,040,000                                      |
| January 15, 2006 | 10,340,000                                      |
| July 15, 2006    | 10,650,000                                      |
| January 15, 2007 | 10,970,000                                      |
| July 15, 2007    | 11,300,000                                      |
| January 15, 2008 | 11,640,000                                      |
| July 15, 2008    | 11,985,000                                      |
| January 15, 2009 | 12,345,000                                      |
| July 15, 2009    | 12,715,000                                      |
| January 15, 2010 | 13,100,000                                      |
| July 15, 2010    | 13,490,000                                      |
| January 15, 2011 | 13,895,000                                      |
| July 15, 2011    | 14,315,000                                      |
| January 15, 2012 | 14,745,000                                      |
| July 15, 2012    | 15,185,000                                      |
| January 15, 2013 | 15,640,000                                      |
| July 15, 2013    | 16,110,000                                      |
| January 15, 2014 | 16,595,000                                      |
| July 15, 2014    | 17,090,000                                      |
| January 15, 2015 | 17,605,000                                      |
| July 15, 2015    | 18,130,000                                      |
| January 15, 2016 | 18,675,000                                      |
| July 15, 2016    | 19,235,000                                      |
| January 15, 2017 | 19,820,000                                      |

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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 Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in respect of: (i) the Guangdong Special Account, Category 1; and (ii) the Hunan Special Account, Category 2, 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, in respect of: (i) the Guangdong Special Account, an amount equal to \$ 14,000,000, and (ii) the Hunan Special Account, an amount equal to \$ 14,000,000, to be withdrawn from the Loan Account and deposited in the Respective Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, (x) the Authorized Allocation for the Guangdong Special Account shall be limited to an amount equal to \$8,000,000, until the aggregate amount of withdrawals under Category 1 plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions in respect of Part A of the Project shall be equal to or exceed \$60,000,00, and (y) the Authorized Allocation for the Hunan Special Account shall be limited to an amount equal to \$8,000,000, until the aggregate amount of withdrawals under Category 2 plus the total amount of all outstanding special commitments entered in to by the Bank pursuant to Section 5.02 of the General Conditions in respect of Part B of the Project shall be equal to or exceed \$60,000,000.

2. Payments out of the Special Accounts 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 either Special Account has been duly opened, withdrawals of the Authorized Allocation in respect of such Special Account and subsequent withdrawals to replenish such 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 in 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 either 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 either 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 such 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 for the Part of the Project in respect of which such Special Account was established, 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 such Part of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation in respect of such Special Account.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for such Part of the Project 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 such 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 either 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 such 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 such 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 either 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 either 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.

