

CONFORMED COPY

LOAN NUMBER 3986 CHA

Loan Agreement

(Second Shaanxi Provincial Highway Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 17, 1996

LOAN NUMBER 3986 CHA

LOAN AGREEMENT

AGREEMENT, dated April 17, 1996, 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 Shaanxi Province (Shaanxi) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Shaanxi 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 Shaanxi;

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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "First Year RIPA Environmental Action Plans" means the Environmental Action Plan for New Road Construction Projects in System No. 46 of the RIPA and the Environmental Action Plan for Road Upgrading Projects in System Nos. 4, 9, 36 and 41 of the RIPA, each dated August 1995, in respect of RIPA (as hereinafter defined) Sub-projects included in the work plan for the first year of implementation of Part B of the Project, setting out environmental protection measures as well as administrative and monitoring arrangements to ensure the implementation of said measures;

(b) "First Year RIPA Resettlement Action Plans" means the Resettlement Action Plan for Road No.9 under RIPA and the Resettlement Action Plan for Road No. 10 under RIPA, each dated August 1995, in respect of RIPA Sub-projects included in the work plan for the first year of implementation of Part B of the Project, setting out procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plans;

(c) "High-grade Highways" means the highways, including the respective related facilities, to be constructed or upgraded under Part A of the Project;

(d) "High-grade Highway EAPs" means, collectively, the environmental action plans for the High-grade Highways, including the respective linking roads, which set out environmental protection measures as well as administrative and monitoring arrangements to ensure the implementation of said measures, dated September 1995 (Environmental Action Plans for each of Parts A (1) (a), (b) and (c) and Part A (2) of the Project) and August 1995 (Environmental Action Plans for each of Parts A (1) (d) and (e) of the Project), and "High-grade Highway EAP" means any one of the High-grade Highway EAPs;

(e) "High-grade Highway RAPs" means, collectively, the resettlement action plans for the High-grade Highways, including the respective linking roads, which set out the procedures governing land acquisition, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said plan, dated August 1995 (Resettlement Action Plans for each of Parts A (1) (a), (b), (c), (d) and (e) of the Project) and December 1995 (Resettlement Action Plan for Part A (2) of the Project), and "High-grade Highway RAP" means any one of the High-grade Highway RAPs;

(f) "Project Agreement" means the agreement between the Bank and Shaanxi 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;

(g) "RIPA" means Shaanxi's Road Improvement for Poverty Alleviation Program to rehabilitate, upgrade and construct road systems in selected counties in Shaanxi in order to provide the rural population of such counties better access to the main provincial highways;

(h) "RIPA Sub-project" means a rural road project covering a number of road segments selected for financing under Part B of the Project in accordance with Part B of Schedule 2 to the Project Agreement;

(i) "SHGHAB" means the Shaanxi High-grade Highway Administration Bureau, an agency of the Shaanxi Provincial Government, and any successor thereto;

(j) "SPHAB" means the Shaanxi Province Highway Administration Bureau, an agency of the Shaanxi Provincial Government, and any successor thereto;

(k) "PTD" means the Shaanxi Province Transport Department, a department of the Shaanxi Provincial Government, and any successor thereto; and

(l) "Special Account" means the account referred to in Section 2.02 (b) of this 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 two hundred and ten million dollars (\$210,000,000).

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 or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 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 ($\frac{3}{4}$ 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 ($\frac{1}{2}$ 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 amounts of the Loan not yet withdrawn 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 May 15 and November 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 Shaanxi to perform in accordance with the provisions of the Project Agreement all the obligations of Shaanxi 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 Shaanxi 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 Shaanxi on the following principal terms:

(i) the principal amount so made available to Shaanxi shall be the equivalent in _____ dollars (determined on the date or respective 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, on account of the cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan;

(ii) Shaanxi 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: (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 Shaanxi pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

(iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

Section 4.02. The Borrower shall take or cause to be taken all actions, including the provisions of funds, facilities, services and other resources, necessary or appropriate for the construction of the connection between Yangjia and Baijiazhai in Henan Province in accordance with standards and specifications acceptable to the Bank, such construction to be completed no later than December 31, 1999, or such other date as the Bank may establish, in accordance with the construction schedule of the High-grade Highway between Weinan and Tongguan in Shaanxi Province under Part A (1) of the Project.

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) Shaanxi 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 Shaanxi 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 Shaanxi and is legally binding upon Shaanxi 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/ Li Daoyu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell J. Cheetham

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works		
(a) under Part A (1) of the Project	129,000,000	44%
(b) under Part A (2) of the Project	6,000,000	44%
(c) under Part B of the Project	23,900,000	37%
(2) Supply and installation of electronic, electric and mechanical equipment under Part A of the Project	6,800,000	80%
(3) Goods	8,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expendi- tures for other items procured locally
(4) Consultants' services and training	5,200,000	100%
(5) Unallocated	30,800,000	
TOTAL	210,000,000 =====	

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,

(a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals on account of payments made for expenditures before that date but after July 1, 1995 may be made in respect of Categories (1)(b) and (4) in an aggregate amount not to exceed \$2,500,000; and

(b) no withdrawals under Category 1(c) shall be made in respect of payments made for expenditures for any RIPA Sub-project until such Sub-project has been

approved by the Bank in accordance with Part B of Schedule 2 to the Project Agreement.

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

(a) for works under Parts A and B of the Project under contracts not exceeding \$2,000,000 equivalent;

(b) goods, including supply and installation of electronic, electric and mechanical equipment under Part A of the Project, under contracts not exceeding \$250,000 equivalent;

(c) for consultants' services under contracts with firms or individuals not exceeding \$100,000 and \$ 50,000 equivalent, respectively; and

(d) for 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 Shaanxi in order to stimulate economic activity; (b) to assist in the implementation of Shaanxi's poverty alleviation strategy for the poorer counties by the provision of better road access; (c) to increase the safety of road transport; and (d) to improve highway sector institutional capacity in Shaanxi.

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: Construction, Upgrading and Maintenance of High-grade Highways

(1) Construction of five high-grade highways in Shaanxi Province consisting of: (a) a four-lane expressway of about 78 kilometers (km) between Weinan and Tongguan; (b) a four-lane Class I highway of about 73 km between Tongchuan and Huangling and doubling of the existing 18 km two-lane Class II highway between Yaodian and Tongchuan; (c) a two-lane Class II auto only highway of about 48 km between Lantian and Xiaoshangyuan; (d) a two-lane Class II auto only highway of about 6 km between Lintong and the Terra Cotta Warriors Museum; and (e) a two-lane Class II auto only highway of about 35 km between the Famen Buddhist Temple and Tangyu; including the supply and installation of electrical, electronic and mechanical equipment for toll collections, traffic monitoring, telecommunications and lighting; the construction of management and maintenance buildings, parking and service areas; and the upgrading and construction of about 8 km of linking roads at interchanges.

(2) Upgrading of a Class I highway of about 32 km between Xian and Sanyuan in Shaanxi Province, including provision of full control of access, installation of traffic safety devices and installation of a telecommunication system.

(3) Provision of equipment for operation and maintenance of the High-grade Highways.

Part B: Roads Improvement for Poverty Alleviation

Improvement and new construction of about 4,100 km of rural road segments under Shaanxi's Road Improvement for Poverty Alleviation Program in order to provide the rural population of poorer counties better access to the main provincial highways.

Part C: Institutional Strengthening and Training

(1) Development of staff capabilities of SPTD, SHGHAB and SPHAB and their respective affiliated institutions, including the Shaanxi Provincial Traffic School, the Shaanxi Provincial Traffic Technical School, SPTD's Staff Training Center, the Shaanxi

Provincial Highway Research Institute, the Shaanxi Provincial Highway Survey Design Institute and other institutions acceptable to the Bank, through intensive training in the areas of highway planning and analysis; high-grade highway design, construction supervision and operations; project implementation management; highway maintenance; traffic engineering and traffic safety; and highway investment planning.

(2) Strengthening of technical capabilities of SPTD, SHGHAB and SPHAB through the provision of equipment to support training activities, highway research, construction supervision activities, environmental protection monitoring, routine maintenance and heavy repair of roads other than High-grade Highways.

(3) Carrying out of: (a) a study of the alternative alignments of the Xian East-West Bypass, and (b) a study of road maintenance.

Part D: Road Safety Program

Implementation of a program for road safety improvement consisting of: (a) improvement of traffic safety coordination among the different responsible institutions, (b) enhancement of capacity to report and analyze traffic accidents, (c) a pilot accident black spot improvement program, and (d) an evaluation of the driver training system, through the provision of technical assistance and training, including equipment required therefor.

* * * * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
November 15, 2001	4,420,000
May 15, 2002	4,550,000
November 15, 2002	4,685,000
May 15, 2003	4,825,000
November 15, 2003	4,970,000
May 15, 2004	5,120,000
November 15, 2004	5,275,000
May 15, 2005	5,430,000
November 15, 2005	5,595,000
May 15, 2006	5,760,000
November 15, 2006	5,935,000
May 15, 2007	6,110,000
November 15, 2007	6,295,000
May 15, 2008	6,485,000
November 15, 2008	6,680,000
May 15, 2009	6,875,000
November 15, 2009	7,085,000
May 15, 2010	7,295,000
November 15, 2010	7,515,000
May 15, 2011	7,740,000
November 15, 2011	7,970,000
May 15, 2012	8,210,000
November 15, 2012	8,455,000
May 15, 2013	8,710,000
November 13, 2013	8,970,000
May 15, 2014	9,240,000
November 15, 2014	9,515,000
May 15, 2015	9,800,000
November 15, 2015	10,095,000
May 15, 2016	10,390,000

* 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), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$17,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$10,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$50,000,000.

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 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 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 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.

