
CONFORMED COPY

LOAN NUMBER 4781-CHA

Loan Agreement

(Liuzhou Environment Management Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 11, 2005

LOAN NUMBER 4781-CHA

LOAN AGREEMENT

AGREEMENT, dated August 11, 2005, 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 (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by Guangxi (as defined in Section 1.02) 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 Guangxi, 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 Project Agreement of even date herewith between the Bank and Guangxi (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 May 1, 2004) (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 Persons” means persons who, on account of the execution of the Project, have 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 persons 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 persons; and a “Displaced Person” means any of such Displaced Persons.

(c) “Environment Management Plan” means, collectively, the Sanitation and Solid Waste Components EMP and the Wastewater Treatment Component EMP.

(d) “EPB” means Liuzhou Environmental Protection Bureau, which is responsible for the enforcement of environmental laws and regulations in Liuzhou, and any successor thereto.

(e) “ESD” means Liuzhou Environment and Sanitation Division which is responsible for the provision and management of sanitation and solid waste management services in Liuzhou, and any successor thereto.

(f) “Guangxi” means the Borrower’s Guangxi Zhuang Autonomous Region, and any successor thereto.

(g) “Industrial Pollution Control Action Plan” means the action plan dated December 16, 2004, prepared by Liuzhou and referred to in paragraph 11 of Schedule 2 to the Project Agreement, said action plan setting forth activities to be carried out by Liuzhou to control and minimize wastewater pollution by industries.

(h) “Liuzhou” means Liuzhou Municipality within Guangxi, and any successor thereto.

(i) “LMWTC” means Liuzhou Municipal Wastewater Treatment Company Limited, a state-owned limited liability company established and operating pursuant to its Charter of December 2004 and to Business License No. 4502001010700 dated December 16, 2004, issued by Liuzhou Municipality Industrial and Commercial Administration Bureau, and any successor thereto.

(j) “Procurement Plan” means the Borrower’s procurement plan, dated March 24, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.

(k) “Project Agreement” means the agreement between the Bank and Guangxi 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.

(l) “Project Implementing Units” and the acronym “PIUs” means, collectively, LMWTC, EPB and ESB, and the acronym “PIU” means any such PIUs.

(m) “Resettlement Action Plan” means the Resettlement Action Plan for the Liuzhou Environment Management Project, dated January 20, 2005, and prepared on behalf of LMWTC and Liuzhou, which sets out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the execution of Parts A, B and C of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as the same may be revised from time to time with the prior agreement of the Bank.

(n) “Sanitation and Solid Waste Components EMP” means the Municipal Sanitation (Public Toilet) and Solid Waste Transfer Stations Component Environment Management Plan dated December 2004, and which sets out the environmental protection measures in respect of Parts B and C of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Bank.

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

(p) “Subsidiary Loan Agreement” means the agreement to be entered into between Liuzhou and LMWTC pursuant to paragraph 6 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and supplements to said agreements.

(q) “Wastewater Treatment Component EMP” means the Wastewater Treatment Component Environment Management Plan dated December 2004, prepared on behalf of LMWTC and Liuzhou, which sets out the environmental protection measures in respect of Part A of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Bank.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to Guangxi, Liuzhou and LMWTC.

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 one hundred million Dollars (\$100,000,000).

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: (i) the reasonable cost of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan; and (ii) in respect of the fee referred to in Section 2.04 of this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 2011, 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 fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. 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 said fee.

Section 2.05. 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 2.06. (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, for each Interest Period, the London interbank offered rate for six-month deposits in Dollar 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) three-fourths of one percent ($\frac{3}{4}$ 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 the 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 semiannually in arrears on January 15 and July 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 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 this Agreement, shall cause Guangxi to perform in accordance with the provisions of the Project Agreement all the obligations of Guangxi therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Guangxi 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 Guangxi (which, in turn, will make the proceeds of the Loan available to Liuzhou) on the following principal terms:

- (i) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
- (ii) The following shall be recovered over a period of twenty (20) years, inclusive of a grace period of five (5) years: (A) the principal amount so made available; and (B) an amount equal to the fee paid pursuant to Section 2.04 of this Agreement.
- (iii) Interest shall be charged 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 the provisions of Section 2.06 of this Agreement.
- (iv) A commitment fee shall be charged on such principal amount of the Loan so made available and not withdrawn from time to time at a rate equal to three fourths of one percent ($\frac{3}{4}$ of 1%) per annum.

Section 3.02. (a) Except as the Bank shall otherwise agree procurement of 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

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 Guangxi pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Guangxi 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 Guangxi 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 (6) 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 (1) 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) Guangxi 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 Guangxi will be able to perform its obligations under the Project Agreement.

(c) Any of the parties to the Subsidiary Loan Agreement shall have failed to perform any of its respective obligations thereunder.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a) or (c) 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 event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, Liuzhou and LMWTC shall have entered into a Subsidiary Loan Agreement, satisfactory to the Bank, in accordance with the provisions of paragraph 6 of Schedule 2 to the Project Agreement.

Section 6.02. The following events are specified as additional matters, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) The Project Agreement has been duly authorized or ratified by Guangxi and is legally binding upon Guangxi in accordance with its terms.

(b) The Subsidiary Loan Agreement has been duly authorized or ratified by each of the parties thereto and is legally binding on said parties in accordance with its terms.

Section 6.03. 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

Facsimile:

(86-10) 68551125

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)

(1-202) 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/ Ju Kuilin

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ David Dollar

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>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works under:		
(a) Parts A(1), A(2), A(3), A(4) and A(5) of the Project	40,430,000	75%
(b) Other Parts of the Project	18,220,000	75%
(2) Goods under:) 100% of foreign) expenditures, 100% of) local expenditures (ex-) factory cost) and 75% of) local expenditures for) other items procured) locally
(a) Part A(1) , A(2), A(3), A(4) and A(5) of the Project	29,760,000	
(b) Other Parts of the Project	8,360,000	
(3) Consultants' services and training under:		
(a) Parts E(1) and E(2) of the Project to be carried out by LMWTC	1,950,000	100%
(b) Other Parts of the Project	780,000	100%
(4) Fee	500,000	Amount due under Section 2.04 of the Loan Agreement
	<hr/>	
TOTAL	<u>100,000,000</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.

(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 under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$230,000 for expenditures may be made in respect of Category (3) on account of payments made for expenditures before that date but after April 30, 2005.

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

(a) works under contracts costing less than \$5,000,000 equivalent each;

(b) goods under contracts costing less than \$500,000 equivalent each;

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

(d) training, regardless of cost,

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 Liuzhou Municipality of Guangxi Zhuang Autonomous Region in improving the municipality's environmental conditions by investing in wastewater treatment facilities, industrial pollution control, municipal sanitation services and solid waste services and management.

The Project consists of the following parts to be carried out in Liuzhou Municipality, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Wastewater Treatment

(1) Construction of: a wastewater treatment plant for secondary treatment of wastewater, with an average capacity of 100,000 cubic meter per day (m³/day), in the Baisha area of Liubei District and associated wastewater treatment facilities, including interceptors, culverts, and pumping installations; and training facilities.

(2) Construction of a wastewater treatment plant for secondary treatment of wastewater, with an average capacity of 150,000 m³/day, in the Longquanshan area of Yufeng District.

(3) Construction of: a wastewater treatment plant for secondary treatment of wastewater, with an average capacity of 125,000 m³/day, in Yanghe New Industrial Development District and associated wastewater treatment facilities, including low lifting stations and a network of sewers; an administrative office; and a training center.

(4) Construction of a wastewater treatment plant for secondary treatment of wastewater, with an average capacity of 25,000 m³/day, in the Labao area of Liujiang District and associated wastewater treatment facilities, including a network of primary and secondary sewers and a pumping station.

(5) Construction of wastewater interceptors to collect wastewater draining into Zhuexi Creek and convey the wastewater to the Longquanshan Wastewater Treatment Plant.

(6) Clearing of sediments in Zhuexi Creek and expansion and stabilization of tributary cross sections in said creek to increase the hydraulics of the creek; and

construction of roads, bridges and landscaped parks in selected areas around Zhuexi Creek to create an aesthetic environment in Liunan District.

Part B : Municipal Sanitation

Construction of about sixty-two (62) public toilets in selected areas with access to sewers; and provision of about thirty (30) mobile public toilets, about two (2) trucking public toilets, and about six (6) sanitation and vacuum trucks, all to improve public health and sanitation levels.

Part C: Solid Waste Management

(1) Construction of one (1) transfer station with a near term design capacity of four hundred fifty (450) metric tons per day and an ultimate capacity of six hundred (600) metric tons per day; (2) construction of about forty-two (42) community waste collection stations in four (4) selected urban districts; and (3) provision of various types of waste management vehicles and equipment to strengthen ESD's waste management capacity.

Part D: Industrial Wastewater Pollution Control

Improving control of industrial wastewater pollution through a program of actions designed to reduce pollution loads from selected industries and to strengthen the capacity of EPB to monitor and manage pollution.

Part E: Institutional Development

- (1) Strengthen the capacity of LMWTC, EPB and ESD to implement their respective parts of the Project, including provision of technical assistance.
- (2) Providing support for the institutional development of LMWTC as a wastewater company, including provision of technical assistance.
- (3) Strengthen the capacity of ESD in solid waste management and support the institutional development of ESD, including provision of technical assistance.
- (4) Promotion by ESD of private-public partnership in public toilet operation, including provision of technical assistance.

Part F: Resettlement

Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of Parts A, B and C of the Project.

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The Project is expected to be completed by December 31, 2010.

SCHEDULE 3

Amortization Schedule

<u>Date of Payment Due</u>	<u>Payment of Principal (expressed in Dollars) *</u>
January 15, 2011	2,630,000
July 15, 2011	2,670,000
January 15, 2012	2,715,000
July 15, 2012	2,755,999
January 15, 2013	2,800,000
July 15, 2013	2,845,000
January 15, 2014	2,890,000
July 15, 2014	2,935,000
January 15, 2015	2,980,000
July 15, 2015	3,030,000
January 15, 2016	3,075,000
July 15, 2016	3,125,000
January 15, 2017	3,175,000
July 15, 2017	3,225,000
January 15, 2018	3,275,000
July 15, 2018	3,330,000
January 15, 2019	3,380,000
July 15, 2019	3,435,000
January 15, 2020	3,490,000
July 15, 2020	3,545,000
January 15, 2021	3,600,000
July 15, 2021	3,660,000
January 15, 2022	3,715,000
July 15, 2022	3,775,000
January 15, 2023	3,835,000
July 15, 2023	3,895,000
January 15, 2024	3,955,000
July 15, 2024	4,020,000
January 15, 2025	4,085,000
July 15, 2025	4,155,000

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) 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, works and consultants’ 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 \$7,000,000 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 \$4,000,000 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 \$30,000,000.

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 respective 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), 6(b) and 6(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.