

CONFORMED COPY

LOAN NUMBER 3980 CHA

Loan Agreement

(Henan (Qinbei) Thermal Power Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 23, 1997

LOAN NUMBER 3980 CHA

LOAN AGREEMENT

AGREEMENT, dated January 23, 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 Electric Power of Henan (EPH as herein defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EPH the proceeds of the Loan as provided in this Agreement;

(C) the Borrower has entered into loan agreements for the purpose of borrowing from external sources (collectively, the "Cofinanciers") funds in an amount equivalent to fifty five million dollars (\$55,000,000) to assist in financing part of the Project on terms and conditions set forth in the agreements (the "Cofinancing Agreements") between the Cofinanciers and the Borrower; 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 EPH;

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) "Environmental Management Program" means the environmental management program forming part of the Environmental Assessment Report dated April 1995 and approved by the Borrower.

(b) "Energy Conservation Investment" means an investment made or proposed to be made by EPH out of the proceeds of the Loan made available to EPH by the Borrower under the Subsidiary Loan Agreement to an Energy Conservation Entity for an Energy Conservation Sub-project.

(c) "Energy Conservation Entity" means any entity to which EPH proposes to make an Energy Conservation Investment.

(d) "Energy Conservation Sub-Project" means a specific energy conservation project under Part C of the Project to be carried out by an Energy Conservation Entity utilizing the proceeds of an Energy Conservation Investment.

(e) "EPH" means Electric Power of Henan, a state-owned enterprise organized and existing under the laws of the Borrower pursuant to its Charter approved under Approval No. 270. 1993 issued by the Central China Electric Power Administration.

(f) "LARP-I" means the Land Acquisition and Relocation Plan, dated December 1995, approved by the Borrower for carrying out the compensation, resettlement or rehabilitation of all persons who are involuntarily resettled or whose rights to land and other assets are compulsorily acquired under Parts A and B of the Project, and the term "LARP-II" means the detailed land acquisition and relocation plan prepared by EPH pursuant to Part B.2(b)(ii) of Schedule 2 to the Project Agreement.

(g) "Project Agreement" means the agreement between the Bank and EPH of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement.

(h) "Reform Implementation Plan" means the plan for the reform of EPH as prepared by EPH and approved by Ministry of Electric Power of the Borrower on April 17, 1995.

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

(j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EPH pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and the term "Subsidiary Loan" means the loan provided thereunder.

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 and forty million dollars (\$440,000,000).

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 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 June 30, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable 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 EPH to perform in accordance with the provisions of the Project Agreement all the obligations of EPH 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 EPH 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 relend the proceeds of the Loan to EPH under a subsidiary loan agreement to be entered into between the Borrower and EPH, under terms and conditions which shall have been agreed by the Bank which shall include, without limitation, terms whereby:

(i) the Subsidiary Loan shall be made for a period not exceeding twenty (20) years, inclusive of a grace period not exceeding five (5) years;

(ii) the Subsidiary Loan shall be charged: (a) interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of the Loan Agreement; and (b) a commitment charge on the principal amount thereof not withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum; and

(iii) EPH, shall bear the foreign exchange risk in respect of the Subsidiary Loan.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01(a) of this Agreement, the Borrower shall ensure that:

(i) all proposed land acquisitions under the Project are reviewed by the relevant provincial, prefectural or county land administration bureau in accordance with existing national regulations of the Borrower; and

(ii) all persons who are involuntarily resettled, or whose rights to land and other assets are compulsorily acquired, under the Project receive adequate compensation in accordance with LARP-I.

(b) To this end the Borrower shall ensure that EPH:

(i) notifies the Bank of any involuntary resettlement of people or any acquisition of land and other assets which shall result from the Project;

(ii) prior to undertaking any such resettlement or acquisition, submits to the Bank for its approval a detailed land acquisition and relocation plan relative to such resettlement or acquisition; and

(iii) implements the approved detailed land acquisition and relocation plan.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed

by the provisions of Schedule 1 to the Project Agreement.

Section 3.04. 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 EPH 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 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 (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) EPH 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 EPH will be able to perform its obligations under the Project Agreement.

(c) The charter of EPH shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EPH to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EPH or for the suspension of its operations.

(e) The Cofinancing Agreements shall have failed to become effective by December 31, 1996; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan made to the Borrower under any of the Cofinancing Agreements shall have been suspended, cancelled or terminated in whole or in part pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the maturity thereof;

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of the obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of ninety days after notice thereof shall have been given by the Bank to the Borrower;

(b) any event specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur, subject, with respect to said paragraph (e), to the proviso contained therein; and

(c) the event specified in paragraph (f)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f)(ii) of that Section.

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, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and EPH.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by EPH, and is legally binding upon EPH in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EPH and is legally binding upon the Borrower and EPH 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

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)
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/ Nicholas C. Hope

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 Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods		
(a) under Part A of the Project	379,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) under Part B of the Project	24,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Consultants' services and training	12,000,000	100%
(3) Unallocated	25,000,000	
	<hr/>	
TOTAL	440,000,000 =====	

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:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$2,000,000 equivalent, may be made in respect of Categories (1)(a) and (2) on account of payments made before that date but after June 15, 1995; and

(b) payments made for expenditures under Category 1(b) until either (i) EPH has furnished to the Bank a LARP-II satisfactory to the Bank or (ii) the Bank has confirmed in writing to EPH that no LARP-II is required.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) expenditures for goods under contracts costing less than \$5,000,000 equivalent, except for expenditures under the first three

contracts for goods during Project implementation that are subject to prior review by the Bank in accordance with the provisions of Part D.2 of Schedule I to the Project Agreement; (b) services provided by consulting firms under contracts costing less than \$100,000 equivalent; (c) services provided by individual consultants under contracts costing less than \$50,000 equivalent; 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 reduce acute power shortages and to foster integrated development of the power system of Henan Province in the most cost-effective and environmentally sound manner; (b) to support appropriate implementation of power sector and power enterprise reforms in Henan Province and accelerate the transformation of EPH into a legally and financially autonomous and business-oriented company; (c) to assist in transferring new power technologies and in applying modern power operation and maintenance methods; (d) to support improvements in the efficiency of electricity use in Henan Province; and (e) to provide rationalization of power tariffs in Henan Province.

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 of two 600-MW coal-fired thermal power units at Wulongkou in Henan Province, and provision of equipment and facilities, including an on-line performance monitoring system to increase plant performance, reduce coal consumption and gradually introduce innovative maintenance techniques.

Part B: Erection of two 165 km 500-kV transmission lines to connect the power plant at Wulongkou to the existing power transmission network.

Part C: Carrying out of a program to promote energy conservation through the financing by EPH of specific energy conservation measures in energy consuming entities.

Part D: Carrying out of a program to strengthen the organization, management and operations of EPH, consisting of: (1) taking all steps necessary to establish EPH as a limited liability company under the laws of the Borrower; (2) eliminating regulatory functions through their transfer to appropriate governmental authorities; (3) commercializing its operations through the establishment of subsidiaries, profit centers and cost centers and the introduction of suitable accounting and financial management systems; (4) reforming EPH's tariff structure; and (5) implementing a plan in support of appropriate power sector restructuring including the introduction of competition in the generation of power and developing commercial contractual arrangements between the participants.

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
November 15, 2001	8,475,000
May 15, 2002	8,775,000
November 15, 2002	9,085,000
May 15, 2003	9,405,000
November 15, 2003	9,740,000
May 15, 2004	10,080,000
November 15, 2004	10,440,000
May 15, 2005	10,805,000

November 15, 2005	11,190,000
May 15, 2006	11,585,000
November 15, 2006	11,995,000
May 15, 2007	12,420,000
November 15, 2007	12,855,000
May 15, 2008	13,310,000
November 15, 2008	13,785,000
May 15, 2009	14,270,000
November 15, 2009	14,775,000
May 15, 2010	15,295,000
November 15, 2010	15,835,000
May 15, 2011	16,395,000
November 15, 2011	16,975,000
May 15, 2012	17,575,000
November 15, 2012	18,200,000
May 15, 2013	18,840,000
November 15, 2013	19,510,000
May 15, 2014	20,195,000
November 15, 2014	20,910,000
May 15, 2015	21,650,000
November 15, 2015	22,415,000
May 15, 2016	23,215,000

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (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 an amount equivalent to fifteen million dollars (\$15,000,000) 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 eight million dollars (\$8,000,000) 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 one hundred and thirty million dollars (\$130,000,000).

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 to deposit into the Special Account 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 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.

