

CONFORMED COPY

LOAN NUMBER 4137-ME

Loan Agreement

(Community Forestry Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

NACIONAL FINANCIERA, S.N.C.

Dated May 2, 1997

LOAN NUMBER 4137-ME

LOAN AGREEMENT

AGREEMENT, dated May 2, 1997 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NACIONAL FINANCIERA, S.N.C. (the Borrower).

WHEREAS (A) the United Mexican States (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee 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;

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, except that Section 6.03 of the General Conditions is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "Community" means the population and land tenancy unit (comunidad), with its own legal personality, governed by Title III, Chapter V of the Guarantor's Agrarian Law (Ley Agraria), published in the Guarantor's Official Gazette (Diario Oficial de la Federación) on February 26, 1992;

(b) "CONABIO" means the Guarantor's National Biodiversity Commission (Comisión Nacional para el Conocimiento y Uso de la Biodiversidad);

(c) "COPLADE" means the State Committee for Planning and Development (Comité de Planificación y Desarrollo Estatal) of each of the Participating States (as hereinafter defined);

(d) "Ejido" means the population and land tenancy unit, with its own legal personality, governed by Title III, Chapters I-IV of the Guarantor's Agrarian Law (Ley Agraria), published in the Guarantor's Official Gazette (Diario Oficial de la Federación) on February 26, 1992;

(e) "Implementation Letter" means the letter of even date herewith, from the Guarantor to the Bank, with respect to the implementation schedule and indicators for the Project;

(f) "Management Plan" means a forestry management program (programa de manejo forestal) referred to in Article 12 of the Guarantor's Forestry Law cited in Section 5.01 (a) of this Agreement;

(g) "Participating States" means the Mexican States of Chihuahua, Durango, Guerrero, Jalisco, Michoacán and Oaxaca;

(h) "Pilot Projects" means projects, carried out by Communities and Ejidos and financed with nonreimbursable contributions made by SEMARNAP (as hereinafter defined) to such Communities and Ejidos, to implement economically viable proposals, consistent with such Communities' and Ejidos' SEMARNAP-approved Management Plans, for the development and management of tradable or potentially tradable non-timber and

non-traditional forest products;

(i) "PIT" means the Project implementation team referred to in Section 3.01 (b) (ii) of the Guarantee Agreement;

(j) "PMT" means the Project management team referred to in Section 3.01 (b) (i) of the Guarantee Agreement;

(k) "Secretariat" means the Forestry Secretariat, or its equivalent, of the executive branch of the government of a Participating State;

(l) "SEDAF" means the Forestry Secretariat (Secretaría de Desarrollo Agropecuario y Forestal) of the executive branch of the government of the State of Oaxaca;

(m) "SEMARNAP" means the Guarantor's Natural Resources, Environment and Fisheries Secretariat (Secretaría de Medio Ambiente, Recursos Naturales y Pesca); and

(n) "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 fifteen million Dollars (\$15,000,000).

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: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Guarantor on account of expenditures incurred by a Community or Ejido to meet the reasonable cost of goods, works and services required to carry out Pilot Projects under Part C.2 of the Project and in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project (other than Part C.2 of 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 Banco de México on terms and conditions satisfactory to the Bank. 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, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 and the Guarantor 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 and the Guarantor 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

Transfer of Loan Proceeds; Other Covenants

Section 3.01. The Borrower shall enter into contractual arrangements with the Guarantor, satisfactory to the Bank, providing, inter alia, for: (a) the transfer to the Guarantor of the proceeds of the Loan; and (b) the transfer by the Guarantor to the Borrower of such funds as the Borrower shall be required to pay to the Bank on account of principal, interest and other charges on the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of such contractual arrangements. The Borrower shall exercise its rights under such contractual arrangements in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

Section 3.02. 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 respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) shall be carried out, or caused to be carried out, by the Guarantor pursuant to Section 3.04 (a) of the Guarantee Agreement.

Section 3.03. The Borrower shall participate in the review referred to in Section 3.13 (c) of the Guarantee Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records

and separate accounts adequate to reflect, in accordance with sound accounting practices, the resources and expenditures in connection with the execution of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year audited, in accordance with generally accepted auditing standards and procedures, consistently applied, by independent and qualified auditors;

(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;

(iii) furnish to the Bank each month certified statements of the Special Account; and

(iv) furnish to the Bank such other information concerning said records and accounts as well as the audit thereof as the Bank shall 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 provide to the Guarantor any information that may be required by the Guarantor to comply with the Guarantor's obligations under Section 3.05 (c) of the Guarantee Agreement.

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) The Ley Forestal (Forestry Law; published in the Guarantor's Diario Oficial de la Federación on December 22, 1992) shall have been, in whole or in part, amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the carrying out of the Project.

(b) The Forestry Law's regulations, published in the Guarantor's Diario Oficial de la Federación on February 21, 1994, shall have been, in whole or in part, amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that any event specified in Section 5.01 of this Agreement shall occur.

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 contractual arrangements referred to in Section 3.01 of this Agreement have been entered into.

Section 6.02. 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 on behalf of each of the Borrower and the Guarantor, the contractual arrangements referred to in Section 3.01 of this Agreement have been duly authorized or ratified, and executed and delivered, by the Borrower and the Guarantor and are legally binding upon the Borrower and the Guarantor in accordance with the terms of such contractual arrangements.

Section 6.03. The date August 1, 1997 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 Director Internacional 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 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)

For the Borrower:

Nacional Financiera, S.N.C.
Dirección Internacional
Torre IV, piso 8
Plaza Inn, Insurgentes Sur 1971
01020 México, D.F.
México

Cable address:

NAFIN
Mexico City

Telex:

NAFIME 383-1775765
Mexico City

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki

Regional Vice President
Latin America and the Caribbean

NACIONAL FINANCIERA, S.N.C.

By /s/ José García Torres

Authorized Representative

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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods (except items included in Categories (3) or (4) below and vehicles, but including aerial photographs)	1,000,000	70%
(2) Consultant services (except as included in Categories (3) and (4) below):		
(a) under Part A.2 of the Project	3,600,000	100% of amount disbursed by SEMARNAP to Communities and Ejidos
(b) other	3,000,000	100%
(3) Pilot Projects	1,500,000	100% of amounts disbursed by SEMARNAP to Communities and Ejidos for Pilot Projects
(4) Training	4,200,000	100%
(5) Unallocated	1,700,000	
TOTAL	15,000,000 =====	

2. For the purposes of this Schedule, the term "training" includes only: (a) fees of consultants employed as trainers; (b) reasonable travel, room, board and per diem expenditures incurred by trainees in connection with their training under Parts A and D of the Project; (c) course fees charged by academic institutions; and (d) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of a Pilot Project unless the procedures, terms and conditions set forth or referred to in Section 3.10 of the Guarantee Agreement have been complied with for that Pilot Project; and (b) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,500,000, may be made on account of payments made for expenditures incurred within the twelve months prior to the date of this Agreement but after March 1, 1996.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts costing less than \$100,000 equivalent (in the case of consulting firms) and less than \$50,000 equivalent (in the case of individual consultants), as well as for expenditures for training items referred to in paragraph 2 (b), (c) and (d) of this Schedule, for goods estimated to cost less than \$350,000 equivalent per contract or per bid package and for Pilot Projects, 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 to: (a) improve natural resource management and conservation by Community and Ejido forestry resource owners in Mexico; and (b) increase the range of forestry-based income generating options available to such owners.

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

Part A: Assistance to Oaxaca Communities and Ejidos

1. Implementation of promotional activities to inform Communities and Ejidos in the State of Oaxaca of the support available to them under the Project and to evaluate their pine-oak forestry resource management interests and needs.

2. Provision of technical assistance to Communities and Ejidos in the State of Oaxaca in support of their pine-oak forestry resource management-related initiatives undertaken to, inter alia: (a) prepare or upgrade Management Plans; (b) prepare forested area conservation plans; (c) address integrated forestry resource management and forestry research issues; and (d) increase the efficiency of their forestry enterprises.

3. Provision of demand-driven training (through courses, workshops, seminars and two- or four-year scholarships), to members of Communities and of Ejidos in the State of Oaxaca, on pine-oak forestry resource management topics (including environmental, biodiversity and land use planning and boundary issues).

4. Implementation, on a national or regional level, of Community/Ejido-to-Community/Ejido workshops sponsored by the Communities and/or Ejidos to exchange information on forestry development and conservation activities.

Part B: Capacity Strengthening Assistance to Private Service Providers

1. Provision of environmental, forestry resource management and related training (including biodiversity training), through two-week orientation/immersion workshops, to private providers of services to Communities and Ejidos engaged in forestry activities, so as to make such providers eligible to provide technical assistance under Part A.2 of the Project.

2. Implementation, through courses consisting of two-week workshops, of a post-graduate level continuing education program (in the same fields for which training is provided under Part B.1 of the Project) for providers deemed eligible pursuant to Part B.1 of the Project so that they may maintain such eligibility.

Part C: Promotion of Non-timber Forest Products

1. (a) Carrying out of diagnostic studies to create a comprehensive data base on the extent, management, production, use, conservation and trade of tradable or potentially tradable non-timber and non-traditional forest products in the Participating States; and (b) implementation of campaigns to promote interest in the carrying out of Pilot Projects.

2. Carrying out of Pilot Projects by Communities and Ejidos in the Participating States.

3. Monitoring, evaluation, publication and other dissemination of the results of the Pilot Projects carried out under Part C.2 of the Project.

Part D: Institutional Strengthening

1. Strengthening (through the provision of technical assistance, training and

goods) of the SEMARNAP Oaxaca office's capacity to review, approve, supervise and audit Management Plans.

2. (a) Strengthening (through the provision of technical assistance, training and goods) of the capacity of SEMARNAP offices located in the Participating States to carry out their forestry responsibilities; and (b) strengthening (through the provision of technical assistance and training) of the capacity of the Secretariats to absorb forestry responsibilities, held by SEMARNAP, which are potentially transferable to such Secretariats.

3. Design, computerization, administration and dissemination of the SEMARNAP Sistema Nacional de Información Forestal (National Forestry Information System) and Registro Nacional Forestal (National Forestry Registry).

4. Provision of training (through courses, workshops, study tours, seminars and two-year scholarships) to SEMARNAP forestry officials to upgrade their forestry, administrative and technology skills.

5. Provision of equipment and administrative support to the PMT and the PIT to facilitate their role in Project management.

6. Carrying out of workshops and other preliminary activities in connection with the preparation of potential future pine-oak forest projects, for the States of Chihuahua, Durango, Michoacán, Jalisco and Guerrero, modeled on Parts A and B of the Project.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
On each May 15 and November 15	
beginning November 15, 2002 through May 15, 2012	750,000

* 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 \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 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.

