

CONFORMED COPY

LOAN NUMBER 3179 ZIM

Loan Agreement

(Forest Resources Management and Development Project)

between

ZIMBABWE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 27, 1990

LOAN NUMBER 3179 ZIM

LOAN AGREEMENT

AGREEMENT, dated September 27, 1990, between ZIMBABWE (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 Borrower intends to contract from the Danish International Development Agency (DAN IDA), a grant (the DANIDA Grant) in an amount equivalent to nine million four hundred thousand dollars (\$9,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA;

(C) the Borrower intends to contract from the Arab Bank for Economic Development in Africa (BADE A), a loan (the BADEA Loan) in an amount equivalent to nine million four hundred thousand dollars (\$9,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the BADEA Loan Agreement)

to be entered into between the Borrower and BADEA;

(D) the Borrower intends to contract from Her Majesty the Queen in Right of Canada acting through the Canadian International Development Agency (CIDA), a grant in an amount equivalent to one million dollars (US\$1,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA;

(E) the Project will be carried out by the Forestry Commission with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Forestry Commission the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and Forestry Commission;

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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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) "FC" means the Forestry Commission established under the Forest Act (CAP 125) of the Laws of the Borrower as amended to the date of this Agreement;

(b) "Project Agreement" means the agreement between the Bank and FC 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;

(c) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and FC pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and

(d) "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, various currencies that shall have an aggregate value equivalent to the amount of fourteen million five hundred thousand dollars (\$14,500,000) as the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

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 shall, for the purposes of Part C of the Project, open and maintain in dollars a special account in a commercial bank 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, 1998, 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a

calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 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, the Borrower shall cause FC to perform in accordance with the provisions of the Project Agreement all the obligations of FC 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 FC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall take all necessary action to provide FC with the foreign exchange required for the rehabilitation of sawmills under paragraphs 7 and 8 of Part C of the Project.

Section 3.02. (a) The Borrower shall relend the proceeds of the Loan to FC under a subsidiary loan agreement to be entered into between the Borrower and FC, under terms and conditions which shall have been approved by the Bank which shall include interest at the applicable rate charged by the Borrower for its loans to its parastatal organizations, with payment of principal in 15 years including 3 years of grace.

(b) 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 3.03. Except as the Bank shall otherwise agree, procurement of the works, goods and consultants' services required for Part C of 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) in respect of the Project shall be carried out by FC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

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

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents)

evidencing such expenditures are retained, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

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

(b) The Borrower shall:

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

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

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

Section 4.02. The Borrower shall, by not later than October 1, 1990, take all necessary action to cover the outstanding debt owed by FC to the Borrower into equity.

Section 4.03. Without any limitation or restriction upon any of its obligations under the Loan Agreement, the Borrower shall continue to provide to FC all the funds, facilities and other resources required by FC to carry out services to the public on behalf of the Borrower and the Borrower shall assume any and all liabilities arising out of the carrying out of such services.

ARTICLE V

Remedies of the Bank

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

(a) FC 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 FC will be able to perform its obligations under the Project Agreement.

(c) The Forest Act of the Borrower as amended to the date of this Agreement shall have been further amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FC 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 FC or for the suspension of its operations.

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

- (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) any such loan shall have become due and payable prior to the agreed 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 its 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 sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (c), (d) and (e)(i)(B) (subject to the proviso of paragraph (e) (ii) of Section 5.01 of this Agreement shall occur).

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and FC; and

(b) The BADEA Loan Agreement has been duly executed on behalf of the parties thereto and all conditions (if any) precedent to the effectiveness or initial disbursement of funds under such agreement, other than the fulfillment of the conditions precedent to the effectiveness of this Agreement, have been satisfied.

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 FC, and is legally binding upon FC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and FC and is legally binding upon the Borrower and FC in accordance with its terms

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

SCHEDULE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance, Economic Planning and Development 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:

The Secretary
Ministry of Finance,
Economic Planning and Development
Private Bag 7705
Causeway, Harare
Zimbabwe

Cable address:

Telex:

MINFIN
Harare

MINFIN 22141 ZW
Zimbabwe

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:

INTBAFRAD
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

ZIMBABWE

By /s/ B.T.G. Chidzeno

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Stephen Denning

Acting Regional Vice President
Africa

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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Works for:		
(a) sawmill building and log yard	1,000,000	70%
(b) access roads under Part C.6 of the Project	500,000	30%
(2) Goods	8,500,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Consultants' services	2,500,000	100%
(4) Unallocated	2,000,000	
TOTAL	14,500,000 =====	

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; and

(b) payments made for expenditures under Category (2) of the table in paragraph 1 above, unless and until FC has procured and taken delivery of the sawmill equipment (saws, dry mill and storage, mobile equipment, product transport and product depot) to be financed under the BADEA Loan Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in: (i) the conservation of the forests and environment in Zimbabwe, including the increase in the production of wood for fuel and construction purposes by promotion of tree planting and woodland management in its Communal Areas; (ii) the improvement of forest grazing and wildlife management; and (iii) the improvement in the productivity of wood-processing industries by upgrading the logging, extraction, saw milling and manufacturing facilities and operations.

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: Rural Forestry

1. Establishment of about 1050 small-scale nurseries by target groups and production of about 12 million seedlings for use by them.
2. Establishment of about 10 nurseries by FC and support for 69 existing central nurseries for the production and distribution of about 21 million seedlings, including a program for transfer of such nurseries to local beneficiaries.
3. Establishment of about 10,300 hectares of wood lots and individual trees by target groups and planting of about 9.8 million seedlings.
4. Rehabilitation and improvement of the management of about 800 of wood lots under the management of District Councils.
5. Carrying out a pilot program for the improved protection and management of existing woodlands in Masvingo Province.
6. Carrying out a program of testing of tree species, including indigenous species to determine their suitability and potential for agro-forestry and development.
7. Production of extension and training materials, such as booklets, posters and films.
8. Strengthening of FC through the carrying out of in-service staff training and provision of technical advisory services, monitoring and evaluation techniques.
9. Provision of technical advisory services and training in forestry extension for staff of the Borrower's Ministry of Education, Department of Natural Resources, the Department of Agricultural, Technical and Extension Services and eligible non-governmental organizations.
10. Carrying out of socio-economic and resources studies.
11. Carrying out a program to continue to foster the participation of women and non-governmental organizations in rural afforestation.
12. Acquisition of four-wheel drive vehicles, other vehicles and motorcycles.
13. Construction of additional housing at FC's head quarters and its provincial offices, including housing for its staff.

Part B: Wildlife and Forest Grazing Management

1. Establishment of a 3,800 hectares buffer zone in the Eland Block of the Mbembesi Resettlement Area between Mbembesi and Umgusa Forests.
2. Establishment of a 8,500 hectares grazing area in the Mbembesi Forest for the Eland Block Community.
3. Relocation of 12 families on a site close to community facilities.

4. Construction of three watering points to serve communities and wildlife and to provide a source of water in the Eland Block area of the Mbembesi Resettlement Area.
5. Carrying out a socio-economic baseline survey and range management study of the Tsholotsho Communal Area.
6. Carrying out a detailed feasibility study of a participatory wildlife and forestry management scheme in the Tsholotsho Communal Area.
7. Construction of six watering points to serve the Tsholotsho Communal Area.
8. Establishment of eight kilometers of elephant fencing trial.
9. Carrying out a detailed study of the proposed Mafungabusi Forest (Gokwe District) forestry grazing management scheme, including the carrying out of a baseline study and a socio-economic analysis of the scheme and preparation of appropriate guidelines for its operations.

Part C: Commercial Forestry Activities of FC

1. Construction of a new sawmill complex in Chimanimani to process about 100,000 cubic meters of saw log per annum and to produce about 43,000 cubic meters of sawn timber.
2. Construction of ancillary mill offices, stores and a maintenance shop to service logging equipment, logging trucks and sawmill equipment.
3. Construction of staff housing and acquisition of a saw filing tooth setting facility.
4. Acquisition of logging operation equipment, including five short-length logging trucks, three long-length logging trucks, two-wheeled loaders, two-wheeled skidders, 16 chain saws and a cable yarder.
5. Provision of three-man years of technical advisory services in engineering.
6. Construction of a 12-kilometer road to link the Chimanimani Sawmill with the main road to Mutare and the upgrading and maintenance of the existing road through the acquisition of a grader, tipper truck, water tank trailer and low bed tractor.
7. Improvement of FC's existing sawmills at Erin, Stapleford, Gwendingwe and Martin through the acquisition of two kilns, a road chipper, frame saw and debarking facilities, slab chipping and chip screening facilities, an incinerator, four long-length logging trucks, four short-length logging trucks, three skidders, two cable cranes, 4 tractors with trailers, a skyline unit and a crawler skidder.
8. Construction of 1,800 cubic meters dry timber sheds.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
December 15, 1995	265,000
June 15, 1996	275,000
December 15, 1996	285,000
June 15, 1997	295,000

December 15, 1997	310,000
June 15, 1998	320,000
December 15, 1998	330,000
June 15, 1999	345,000
December 15, 1999	360,000
June 15, 2000	370,000
December 15, 2000	385,000
June 15, 2001	400,000
December 15, 2001	415,000
June 15, 2002	435,000
December 15, 2002	450,000
June 15, 2003	465,000
December 15, 2003	485,000
June 15, 2004	505,000
December 15, 2004	525,000
June 15, 2005	545,000
December 15, 2005	565,000
June 15, 2006	585,000
December 15, 2006	610,000
June 15, 2007	635,000
December 15, 2007	655,000
June 15, 2008	685,000
December 15, 2008	710,000
June 15, 2009	735,000
December 15, 2009	765,000
June 15, 2010	790,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

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 works, goods and services required for Part C of 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 of six hundred thousand dollars (\$600,000) 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit 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 made 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for Part C of the Project, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part C of 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 for Part C of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposited 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.

