
LOAN NUMBER 4407-GU

Loan Agreement

(Second Social Investment Fund Project)

between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 22, 1999

LOAN NUMBER 4407-GU

LOAN AGREEMENT

AGREEMENT, dated *January 22*, 1999, between
REPUBLIC OF GUATEMALA (the Borrower) and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and
priority of the project described in Schedule 2 to this Agreement (the Project), has
requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by SIF with the Borrower's assistance and,
as part of such assistance, the Borrower will make the proceeds of the loan provided for
in Article II of this Agreement (the Loan) available to SIF, as set forth in this Agreement;
and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee
Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended
through December 2, 1997) (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) "Cooperation Agreement" means any of the agreements referred to in
Section 3.01 (c) of this Agreement;

(b) "Decree No. 13-93" means the Borrower's *Decreto* No. 13-93 dated March 25, 1993 published in the official gazette of May 17, 1993 which established SIF;

(c) "Executing Entity" means either an individual, an Intermediate Beneficiary, a non-government organization (permitted to operate in the Borrower's territory) or a legal entity (other than a non-government organization) with the technical capacity to carry out the works or provide the technical assistance or training under a Subproject, as the case may be:

(d) "Executive Accord No. 1-94" means the Borrower's *Acuerdo Gubernativo* No. 1-94 dated January 3, 1994 published in the official gazette of January 5, 1994 which regulates Decree No. 13-93;

(e) "Final Beneficiary" means the poor people living in rural areas within the Borrower's territory who benefit from a Subproject;

(f) "Implementation Letter" means the letter of even date herewith from SIF to the Bank setting forth: (i) the monitoring and evaluation indicators; and (ii) the matters to be discussed in each of the reviews referred to in Section 2.07 (c) of the Project Agreement;

(g) "Intermediate Beneficiary" means a legal entity (including municipalities) which meets the requirements of Decree No. 13-93 and the criteria set forth in the Operations Manual;

(h) "Ministry" means any of the Borrower's Ministries;

(i) "Operations Manual" means the manual for the operation of the Project referred to in Section 2.01 (b) of the Project Agreement;

(j) "Project Agreement" means the agreement between the Bank and SIF 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;

(k) "SIF" means the Social Investment Fund (*Fondo de Inversión Social*) established pursuant to Decree No. 13-93;

(l) "Social Investment Fund Project" means the Borrower's project financed in part with the proceeds of the loan provided pursuant to the loan agreement (Social Investment Fund Project) between the Borrower and the Bank dated September 29, 1993 as amended;

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

(n) "Subproject" means any of the activities referred to in Part A of the Project;

(o) "Subproject Agreement" means any of the agreements referred to in Section 2.01 (c) of the Project Agreement;

(p) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and SIF pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time and such term includes all schedules to the Subsidiary Agreement.

1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to SIF.

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 fifty million Dollars (\$50,000,000).

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, works and services required under Subproject Agreements and for goods and services required for Parts B and C of the Project 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 separate special deposit account in its Central 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, 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 fee in the amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the

Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in 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) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. The Executive President of SIF (or any person or persons whom such Executive President shall appoint in writing) is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause SIF to perform in accordance with the provisions of the Project Agreement all the obligations of SIF 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 SIF 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 transfer, on a grant basis, the proceeds of the Loan to SIF under a subsidiary agreement to be entered into between the Borrower and SIF, under terms and conditions, which shall have been approved by the Bank.

(c) Without limitation to the provisions of paragraph (b) above and for purposes of coordinating with SIF the carrying out of Part A of the Project, the Borrower, through each Ministry which has jurisdiction over the type of investments to be financed under one or more Subprojects, shall, not later than ninety days after the Effective Date,

enter with SIF into agreements (the Cooperation Agreements) under terms and conditions satisfactory to the Bank for purposes of ensuring, inter alia, that: (i) such Subprojects are consistent with the investment plan of the respective Ministry; (ii) such Subprojects are not a duplication of another investment carried out by such Ministry; and (iii) funds are available in the respective Ministry to finance recurrent costs caused by Subprojects when such costs are not financed by the Intermediate Beneficiaries.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement and each Cooperation 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, terminate, waive or fail to enforce the Subsidiary Agreement or any Cooperation Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by SIF pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall participate in the annual reviews referred to in Section 2.07 (c) of the Project Agreement.

Section 3.05. The Borrower shall not later than January 31, 1999 present to its Congress, for its approval, a bill of law to amend Article 1 of Decree 13-93 in a manner satisfactory to the Bank in order to enable SIF to continue the carrying out of the Project beyond May 31, 2001.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall:

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

(b) 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; and

(c) 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 (p) of the General Conditions, the following additional events are specified:

(a) SIF 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 SIF will be able to perform its obligations under the Project Agreement;

(c) Decree No. 13-93 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of SIF to perform any of its obligations under the Project Agreement;

(d) Executive Accord No. 1-94 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of SIF to perform any of its obligations under the Project Agreement; and

(e) the Borrower shall have failed to amend Article 1 of Decree No. 13-93, in a manner satisfactory to the Bank, in order to enable SIF to continue the carrying out of the Project beyond May 31, 2001 by November 30, 2000, or such later date as the Bank may agree; provided however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate arrangements have been made to enable the Borrower to continue the carrying out of the Project beyond May 31, 2001.

Section 5.02. Pursuant to Section 7.01 (k) 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) any of the events specified in paragraphs (c) or (d) or (e) 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 Agreement has been executed on behalf of the Borrower and SIF; and

(b) the Operations Manual has been approved by the Bank.

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

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

Section 6.03. The date April 22, 1999 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, 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:

Ministerio de Finanzas Públicas
8a Avenida y 21 Calle
Centro Cívico
Zona 1, Guatemala

Cable address:
MINFIP
Guatemala, Guatemala

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

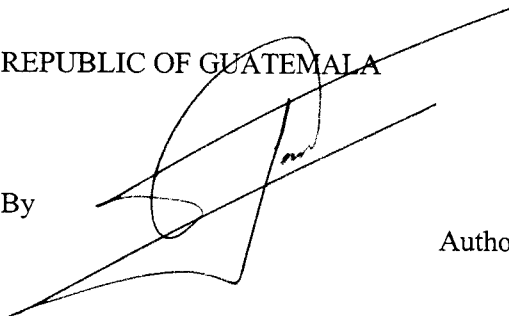
Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in *the District of Columbia, United States of America*, as of the day and year first above written.

REPUBLIC OF GUATEMALA

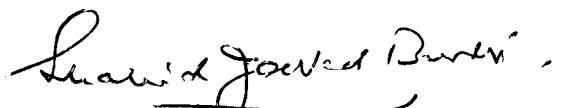
By



Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works, goods and services under Subproject Agreements	46,509,901	up to 84% of the total cost of each Subproject
(2) Goods under Part C of the Project	600,000	100 % of foreign expenditures and 75% of local expenditures
(3) Training for Intermediate Beneficiaries and Ministries under Part B of the Project	1,500,000	100%
(4) Training and technical assistance under Part C of the Project	900,000	100%
(5) Fee	490,099	Amount due under Section 2.04 of this Agreement
TOTAL	<u>50,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(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; and

(c) the term "Training" means expenditures incurred by SIF in connection with the carrying out of the training activities under Parts B and C of the Project, including the travel cost and per diem of the trainers and trainees, rental of facilities, training materials and the trainers' fees.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an amount not exceeding \$5,000,000, may be made in respect of Categories (1) through (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 5, 1998.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods with the exception of: (i) the first two contracts for goods estimated to cost more than \$100,000 equivalent each to be procured in each calendar year of Project implementation; and (ii) contracts for the acquisition of computer equipment and vehicles estimated to cost more than \$100,000 equivalent each; (b) contracts for works with the exception of: (i) the first two contracts for works estimated to cost more than \$500,000 equivalent each to be procured in each calendar year of Project implementation; and (ii) the first two contracts for works to be procured in each calendar year in accordance with the provisions of Parts B.3 and B.4 of Section I of Schedule 1 to the Project Agreement; (c) contracts for the employment of consulting firms costing less than \$50,000 equivalent each with the exception of those consulting firms which have been selected in accordance with the provisions of Part B of Section II of Schedule 1 to the Project Agreement; (d) contracts for the employment of individual consultants costing less than \$25,000 equivalent each; and (e) Training (other than the trainers' fees which may fall under subparagraphs (c) or (d) herein) as set forth in Categories (3) and (4) of the table in paragraph 1 of this Schedule, 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 continue supporting the Borrower's poverty alleviation efforts by targeting Subprojects to the poorest areas and population groups in Guatemala; and (b) to strengthen the capacity of Intermediate Beneficiaries to design, implement and maintain Subprojects.

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: Subprojects

Financing and carrying out of community-based demand-driven Subprojects, including feasibility studies therefore, in the following areas: (i) social or economic infrastructure investments; (ii) the provision of technical assistance and training in the area of social services; and (iii) any other investments for productive purposes, all of which meet the criteria set forth in the Operations Manual.

Part B: Community Training

Provision of training to Intermediate Beneficiaries and to those Ministries involved in the Project and in the Social Investment Fund Project, in participatory planning, identification of investment priorities, raising awareness of environmental protection measures for Subprojects, operating and maintaining Subprojects and increasing women's participation in the design and implementation of Subprojects.

Part C: Institutional Development

1. Provision of training to SIF's staff to promote: (a) the participation of Intermediate Beneficiaries in the design, implementation and maintenance of Subprojects; (b) the awareness of environmental protection measures for Subprojects amongst Intermediate Beneficiaries and Final Beneficiaries; and (c) the participation of women as Intermediate Beneficiaries in the design and implementation of Subprojects.

2. Supporting the institutional capacity building and administrative decentralization of SIF through the strengthening of SIF's field offices and the improvement of its management information system, including the acquisition and utilization of goods required therefor.

3. Carrying out of: (a) annual ex-post evaluations of a sample of Subprojects which include an assessment of the Intermediate Beneficiaries and Final Beneficiaries of such Subprojects; and (b) annual procurement audits of Subprojects.
4. Carrying out of an evaluation of the impact of the Project.

* * *

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

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars) *</u>
February 15, 2004	1,065,000
August 15, 2004	1,095,000
February 15, 2005	1,130,000
August 15, 2005	1,160,000
February 15, 2006	1,195,000
August 15, 2006	1,230,000
February 15, 2007	1,265,000
August 15, 2007	1,300,000
February 15, 2008	1,340,000
August 15, 2008	1,380,000
February 15, 2009	1,420,000
August 15, 2009	1,460,000
February 15, 2010	1,505,000
August 15, 2010	1,550,000
February 15, 2011	1,595,000
August 15, 2011	1,640,000
February 15, 2012	1,685,000
August 15, 2012	1,735,000
February 15, 2013	1,785,000
August 15, 2013	1,840,000
February 15, 2014	1,895,000
August 15, 2014	1,950,000
February 15, 2015	2,005,000
August 15, 2015	2,065,000
February 15, 2016	2,125,000
August 15, 2016	2,185,000
February 15, 2017	2,250,000
August 15, 2017	2,315,000
February 15, 2018	2,385,000
August 15, 2018	2,450,000

* The figures in this column present 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) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Project;
 - (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 equal to \$3,300,000 in respect of the Special Account for the Project 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) 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 for the Special Account for the Project, 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 for the Project shall follow such procedures, as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.