

CONFORMED COPY

LOAN NUMBER 2901-2 TU

(Industrial Export Development Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 25, 1988

LOAN NUMBER 2901-2 TU

LOAN AGREEMENT

AGREEMENT, dated January 25, 1988 between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) 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) for the implementation of the same Project, the Bank has agreed (i) to extend a loan to Turkiye Sinai Kalkinma Bankasi (TSKB) of the Borrower, under an agreement (TSKB Loan Agreement) of even date herewith; and (ii) to extend a loan to Sinai Yatirim Ve Kredi Bankasi (SYKB) of the Borrower, under an agreement (SYKB Loan Agreement) of even date herewith;

(C) by an agreement (the Guarantee Agreement) of even date herewith between the Borrower and the Bank, the Borrower has agreed to guarantee the obligations of each of TSKB and SYKB in respect of its Loan; 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" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 6 to this Agreement (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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Participating Bank" means any financial institution operating in Turkey and eligible to utilize the proceeds of the Loan in the provision of Sub-loans pursuant to the arrangements described in Schedule 4 to this Agreement;

(c) "Administrating Institutions" means TSKB and SYKB;

(d) "Sub-loan" means a loan in the amount of not less than \$400,000 made or proposed to be made by a Participating Bank, pursuant to the provisions by Schedule 4 to this Agreement, to an Investment Enterprise for the carrying out of an Investment Project;

(e) "Investment Enterprise" means an export oriented enterprise to which a Participating Bank proposes to make or has made a Sub-loan;

(f) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(g) "TL" or "Turkish Lira" means the currency of the Borrower;

(h) "FERIS" means the Foreign Exchange Risk Insurance Scheme, operated by the Central Bank of the Borrower pursuant to Decree No. 31, dated March 27, 1985, as amended to the date of this Agreement;

(i) "TURK EX-IM Bank" means the Export Credit Bank of Turkey;

(j) "IGEME" means the Export Promotion Center, operating under the Borrower's Undersecretariat of Treasury and Foreign Trade;

(k) "Administration Agreement" means the agreement to be entered into between the Borrower and the Administrating Institutions pursuant to the provisions of Section 3.01 (a) of this Agreement; and

(l) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and the TURK EX-IM Bank pursuant to the provisions of Section 3.01 (c) 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 in various currencies equivalent to one hundred million dollars (\$100,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1993 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 per cent ($3/4$ 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 per annum for each Interest Period equal to one-half of one percent ($1/2$ of 1%) per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall:

(a) assign the responsibility for the administration of Part A of the Project to the Administrating Institutions under an agreement (the Administration Agreement) to be concluded between the Borrower and the Administrating Institutions under terms and

conditions satisfactory to the Bank, including those specified in Schedule 4 to this Agreement;

(b) make available to IGEME the amount of \$500,000 equivalent, allocated from the proceeds of the Loan for the carrying out of Part B of the Project;

(c) relend to the TURK EX-IM Bank the amount of \$900,000 equivalent, allocated from the proceeds of the Loan for the carrying out of Part C of the Project, under a subsidiary loan agreement to be entered into between the Borrower and the TURK EX-IM Bank which shall provide, inter alia, for the obligations of the TURK EX-IM Bank: (i) to repay to the Borrower the amount so onlent over the same period specified for the repayment of the Loan under Schedule 3 to this Agreement and with commitment charge and interest at the same rates applicable to the Loan under Sections 2.04 and 2.05, respectively, of this Agreement; and (ii) to make such repayment of principal and payment of interest and commitment charge in the same amounts and currencies in which the Borrower's debt service obligations, with respect to such amount, shall be payable to the Bank;

(d) include in the arrangements under which parts of the proceeds of the Loan will be made available to IGEME and the TURK EX-IM Bank pursuant to paragraphs (b) and (c) above, provisions whereby IGEME and the TURK EX-IM Bank shall: (i) carry out Part B and Part C of the Project, respectively, with due diligence and efficiency, in accordance with appropriate technical, managerial and financial practices and pursuant to a time schedule acceptable to the Borrower and the Bank; (ii) provide to the Borrower and the Bank semiannual reports on progress in their respective activities under said Parts of the Project; (iii) with respect to TURK EX-IM Bank, procure the computer equipment and materials to be financed from the proceeds of the Loan for purposes of Part C of the Project, on the basis of price quotations obtained from not less than three eligible suppliers; and (iv) employ, in order to assist each in the carrying out of such activities, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Borrower and the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981; and

(e) carry out the study provided under Part D of the Project under terms of reference and a time-schedule agreeable to the Borrower and the Bank, and employ, by June 30, 1988, pursuant to the provisions of paragraph (d)(iv) of this Section, consultants to assist in the carrying out of said study.

Section 3.02. The Borrower shall exercise its rights under the Administration Agreement and the Subsidiary Loan Agreement in such manner as to: (a) protect the interest of the Borrower and the Bank; (b) comply with its obligations under this Agreement; and (c) achieve the objectives of the Project.

Section 3.03. In order to increase the efficiency of IGEME's role in the promotion of export, the Borrower shall take, by December 31, 1988, all reasonable action required: (i) to ensure effective representation on IGEME's Board for private exporters; and (ii) to strengthen the management of IGEME's operations.

Section 3.04. The Borrower shall consider, by June 30, 1988, the suitability of introducing a reference rate for foreign currency loans to be provided under FERIS at a floating interest rate.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain with respect to Part D of the Project, and shall cause the Administrating Institutions, IGEME and the TURK EX-IM Bank to maintain with respect to Parts A, B and C of the Project, respectively, procedures and records adequate to monitor and record the progress of the Project and, with respect to the Administrating Institutions, of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices their resources and operations with respect to the Project.

Section 4.02. (a) The Borrower shall:

- (i) cause the records referred to in Section 4.01 of this Agreement, and records and accounts for the Special Account for each fiscal year to be audited in accordance with sound 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 five 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
- (iii) furnish to the Bank such other information concerning the said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain, or cause to be maintained, in accordance with Section 4.01 of this Agreement, records and accounts reflecting such expenditures;
- (ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (a) of this Section and that the report of such audit contains 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, support the related withdrawals.

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) either of the Administrating Institutions shall have failed to perform any of its obligations under the Administration Agreement;

(b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that either of the Administrating Institutions will be able to perform its obligations under the

Administration Agreement; and

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of either of the Administrating Institutions or for the suspension of its operation.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(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 the Administrating Institutions; and

(b) the event specified in paragraph (c) 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) all conditions precedent to the effectiveness of the TSKB Loan Agreement and the SYKB Loan Agreement, except for the effectiveness of this Agreement, have been fulfilled;

(b) the Administration Agreement has been concluded between the Borrower and the Administrating Institutions; and

(c) the Subsidiary Loan Agreement has been concluded between the Borrower and the TURK EX-IM Bank.

Section 6.02. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Undersecretary of the Treasury and Foreign Trade 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:

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

For the Borrower:

Basbakanlik
Hazine Ve Dis Ticaret Mustesarligi

Yenisehir - Ankara

Cable address:

Telex:

HAZINE ANKARA

821-42285 (MLYE-TR) 02

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 TURKEY

By /s/ Hikmet Ulugbay
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Hans-Eberhard Kopp
Acting Regional Vice President
Europe, Middle East and North 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) Credit under Part A of the Project	98,500,000	Amounts disbursed by the Participa- ting Banks under Sub-loans for 100% of foreign expenditures and 60% of local ex- penditures
(2) Goods, overseas training and Consultants' services under Part B of the Project:	500,000	
(a) goods		100% of foreign expenditures and 65% of local expenditures
(b) overseas training and consultants' services		100%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Goods, overseas training and Consultants' services under Part C of the Project:	900,000	
(a) goods		100% of foreign expenditures and 65% of local expenditures
(b) overseas training and consultants' services		100%
(4) Consultants' services under Part D of the Project	100,000	100%
	<hr style="width: 10%; margin: 0 auto;"/>	
	100,000,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower in its efforts to expand export through the financing of investments in private, export oriented industries in areas where Turkey has a comparative advantage, the provision of increased incentives for such investments and the improvement of the institutional and procedural framework for export finance; (b) to strengthen the role of IGEME in the promotion of export; (c) to assist TSKB and SYKB in their operation diversification efforts; and (d) to support TSKB in the implementation of its financial restructuring program.

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: Credit

Provision of credits in accordance with the provisions of this Agreement, for financing fixed investments and permanent working capital needs of export oriented projects.

Part B: IGEME

Implementation, with the assistance of advisers, of a program to strengthen the role of IGEME in the promotion of export, including the restructuring of IGEME's management and the training of its staff.

Part C: TURK EX-IM Bank

Implementation by the TURK EX-IM Bank, with the assistance of advisers, as needed, of a program: (a) to develop appropriate procedures for the provision of medium- and long-term export finance and the operation of export guarantee and insurance programs, including the training of staff on the implementation of such program; and (b) to adopt and operate a trade information system.

Part D Study

A study of the credit delivery systems for industrial investments.

* * * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 15 and October 15	
beginning October 15, 1992	
through October 15, 2004	3,845,000
On April 15, 2005	3,875,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium	
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:	
Not more than three years before maturity	.18	b
More than three years but not more than six years before maturity	.35	n
More than six years but not more than eleven years before maturity	.65	n
More than eleven years but	.88	n

ot more than fifteen years
before maturity

More than fifteen years
efore maturity

1.00

b

SCHEDULE 4

Management and Terms and Conditions of Sub-loans under Part A of the Project

A. Administration of Part A of the Project

The administration of the credit component under Part A of the Project shall be assigned under the Administration Agreement to the Administrating Institutions. The Administration Agreement shall include, inter alia, provisions whereby:

1. Sub-loans shall be provided only through the Participating Banks selected in accordance with the provisions of paragraph 2 below.

2. Any commercial bank operating in Turkey which desires to be selected as a Participating Bank will have to meet the following eligibility criteria: (i) a sound financial condition and performance; (ii) an unqualified audited financial statement, audited by external auditors approved by the Central Bank of Turkey; and (iii) the capacity to appraise and supervise Investment Projects, or, alternatively, to agree to contract adequate technical services to assist in the appraisal and supervision of Investment Projects proposed for their financing under the Project.

3. In order to enable the widest possible selection of Participating Banks for the provision of Sub-loans, the Administrating Institutions shall prepare, promptly after the date of the Loan Agreement, a circular for distribution among the commercial banks operating in Turkey which shall indicate: (i) the eligibility criteria for participation referred to in paragraph (2) above; and (ii) the purposes of the Project and the terms and conditions under which Sub-loans shall be provided.

4. The Administrating Institutions shall act under the Administration Agreement solely as administrators to enable, on behalf of the Borrower, the utilization by the Participating Banks of the proceeds of the Loan allocated for the provision of Sub-loans under Part A of the Project; therefore (i) the Borrower shall bear all financial obligations due on the Loan under the provisions of the Loan Agreement; and (ii) all debt service payments by the Participating Banks with respect to the amount of the Loan utilized in the provision of Sub-loans shall be made by the Participating Banks, through the Administrating Institution concerned, to the Borrower.

5. To assist in defraying the administration cost assumed by the Administrating Institutions under the Administration Agreement, each Administrating Institution shall charge, with respect to Sub-loans approved by it, the Participating Bank providing such Sub-loans an annual fee amount equivalent to 1/2% (one-half of one percent) of the outstanding amount of such Sub-loans, to be paid in two approximately equal installments at the beginning and at the middle of each year.

6. In order to compensate the Borrower for its assumption of the commitment charge on the Loan pursuant to Section 2.04 of the Loan Agreement, the Administrating Institutions shall transfer to the Borrower the fee amount to be charged by the Participating Banks, pursuant to the provision of Part B.4 of this Schedule, at the rate of 1.5% of the principal amount of the Sub-loans.

7. Except as the Borrower and the Bank shall otherwise agree,

each Participating Bank shall be entitled to provide Sub-loans in an aggregate amount not exceeding the equivalent of \$15,000,000; there shall not be included in this aggregate amount, however, the amount of any Sub-loan provided by a Participating Bank to cofinance an Investment Project for which financing is provided under the TSKB Loan Agreement or the SYKB Loan Agreement.

8. The Participating Banks shall be required to apply in the provision and administration of Sub-loans the rules and procedures set forth in the Loan Agreement.

9. Applications and requests for approval of Sub-loans and for withdrawal of the proceeds of the Loan on account of Sub-loans shall be prepared by the Participating Banks and presented, through the Administrating Institution concerned, to the Bank.

B. Terms and Conditions of Sub-Loans

1. Except as the Bank shall otherwise agree, Sub-loans shall be provided only to Investment Enterprises in the private sector of the Borrower, which shall be defined for this purpose to mean any enterprise the majority share capital of which is not held, individually or collectively, by the Borrower, including its political or administrative divisions, or by economic enterprises the majority share capital of which is held by the Borrower.

2. Except as the Bank shall otherwise agree: (i) no Sub-loan shall be provided in an amount exceeding the lesser of \$4,000,000 equivalent or 20% of the net worth of the Participating Bank concerned which shall mean, for this purpose, the unimpaired paid-in capital of such Participating Bank plus its accumulated reserves; and (ii) no Sub-loan shall be provided for the financing of a single Investment Project if, after the provision of such Sub-loan, the aggregate amount provided from the proceeds of the Loan, the TSKB Loan and the SYKB Loan for the financing of such Investment Project shall exceed the equivalent of \$15,000,000.

3. Except as the Bank shall otherwise agree, the Administrating Institutions shall require each Participating Bank: (a) to charge on each Sub-loan denominated in foreign currency (i) interest on the principal amount of the Sub-loan withdrawn and outstanding at a floating annual rate which shall exceed by not more than four percentage points the interest rate applicable to the Loan pursuant to Section 2.05 of this Agreement, and (ii) a commitment fee on the unwithdrawn amount of the Sub-loan at the rate specified in Section 2.04 of this Agreement; and (b) charge on each Sub-loan denominated in Turkish Lira (i) interest on the amount of the Sub-loan withdrawn and outstanding at a fixed or floating annual rate, at the option of the Investment Enterprise, to be determined in either case in accordance with the rules and procedures prescribed in the FERIS, and (ii) a commission fee on the amount of the Sub-loan withdrawn and outstanding at the rate of 2% per annum.

4. In addition to the charges referred to in paragraph (3) above, the Administrating Institutions shall require the Participating Banks to charge on each Sub-loan a fee amount representing 1.5% of the principal amount of the Sub-loan, to be collected at the time of signing the contract therefor. The amounts collected on account of such fees shall be immediately transferred by the Participating Banks, through the Administrating Institution concerned, to the Borrower.

5. Except as the Bank shall otherwise agree, no expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 6 (a) and (b) below in respect of such Sub-loan:

6. (a) When presenting a Sub-loan to the Bank for approval, the Participating Banks shall furnish to the Bank, through the Administrating Institution concerned, an application form satisfactory to the Bank, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; (iii) whenever relevant, a statement as to the environmental impact of the Investment Project, and, when necessary, the remedial action to be taken in this respect; and (iv) such other information as the Bank shall reasonably request.

(b) Each request to be made by the Participating Banks through the Administrating Institutions pursuant to sub-paragraph (a) of this paragraph 6 shall contain an export plan demonstrating to the satisfaction of the Bank (i) with respect to any Investment Project undertaken for the expansion of existing facilities, that not less than 20% of the incremental production or services of such Investment Project would be exported within three years from the start of its operation; (ii) with respect to the establishment of a new Investment Enterprise, that not less than 20% of the products or services of such Enterprise would be exported within five years from the start of its operation; and (iii) with respect to an Investment Project for the balancing or modernization or rehabilitation of existing facilities, that the Investment Enterprise requesting the Sub-loan is currently exporting not less than 20% of its products or services. An indirect exporter shall be eligible for a Sub-loan when it is established in the export plan that such indirect exporter is currently selling not less than 20% of its products to exporters eligible under this paragraph or that not less than 20% of the incremental production resulting from its expansion under an Investment Project is expected to be sold to such exporters.

(c) The Participating Banks shall be required to calculate the economic and financial rates of return for any Investment Project, and require, as a condition for providing a Sub-loan for the financing of such Investment Project, an economic rate of return of not less than 15%, and a financial rate of return of not less than 15%, measured after adjustment for inflation, throughout the useful life of the Investment Project, in accordance with the Wholesale Price Index of the Borrower.

(d) Applications made pursuant to the provisions of sub-paragraph (a) of this paragraph 6 shall be presented to the Bank on or before December 31, 1990.

7. The Participating Banks shall make the Sub-loans on terms whereby the Participating Banks shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank, the Borrower and the Participating Banks, including, the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them; (ii) the procurement of goods or works under contracts estimated each to cost the equivalent of \$2,500,000 or more shall be undertaken under procedures for limited international bidding satisfactory to the Participating Bank concerned; and (iii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Administrating Institutions and the Bank if the Bank or the Administrating Institutions shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank, the Borrower or the Participating Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Participating Bank.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories 1, 2 and 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special

Account with amounts not exceeding the amount of payments 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Loan minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank for crediting to the Loan Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

SCHEDULE 6

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "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" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 5 (d) of Schedule 4 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests under sub-paragraph (a) or (b) of said paragraph; or (ii) have denied any such applications or requests. The Bank may, by notice to the Borrower, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

