

CONFORMED COPY

LOAN NUMBER 3568 JO

Loan Agreement

(Third Transport Project)

between

HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated July 16, 1993

LOAN NUMBER 3568 JO

LOAN AGREEMENT

AGREEMENT, dated July 16, between HASHEMITE KINGDOM OF JORDAN (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) Parts A (1) and A (2) of the Project will be carried out by the Borrower's Ministry of Public Works and Housing, Part A (3) of the Project will be carried out by the Borrower's Ministry of Transport and Part B of the Project will be carried out by the Aqaba Railway Corporation, and the Borrower will make available to said Ministries and Corporation the proceeds of the Loan as hereinafter provided;

(C) to assist in financing the Project, the Borrower has obtained from the European Investment Bank (EIB), a loan (the EIB Loan) in the amount of fifteen million European currency units (ECU

15,000,000), under an agreement (the EIB Loan Agreement) entered into between the Borrower and EIB on November 10, 1992; 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 below (the General Conditions) constitute an integral part of this Agreement:

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

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "ARC" means the Aqaba Railway Corporation of the Borrower;

(b) "MPWH" means the Ministry of Public Works and Housing of the Borrower;

(c) "MOT" means the Ministry of Transport of the Borrower;

(d) "Project Agreement" means the agreement between the Bank and ARC 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;

(e) "Road Rehabilitation Program" means a road pavement rehabilitation program to restore, through asphalt overlay, resurfacing or reconstruction, the strength of sections of the highway network which satisfy the evaluation criteria referred to in Section 3.03 of this Agreement; and

(f) "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 thirty-five million dollars (\$35,000,000), being 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 the Project, open and maintain in dollars a 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 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 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 May 1 and November 1 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: (i) shall carry out Part A (1) and A (2) of the Project through MPWH, and Part A (3) of the Project through MOT, with due diligence and efficiency and in conformity with appropriate engineering, environmental, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and (ii) without limitation or restriction upon any of its other obligations under this Agreement, shall cause ARC to carry out Part B of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of ARC 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 ARC 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 limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out through MPWH and MOT or cause to be carried out by ARC (as the case may be) the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the 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 4 to this Agreement.

Section 3.03. The Borrower shall cause MPWH: (i) to calculate the economic rate of return for each highway section proposed for the Road Rehabilitation Program under Part A (2) of the Project; and (ii) to prepare the bidding documents for the rehabilitation work of such section only when the Bank agrees that such return is expected to be not less than 15%.

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 acquisitions, respectively) in respect of Part B of the Project shall be carried out by ARC pursuant to Section 2.03 of the Project Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall cause MPWH and MOT to maintain records and accounts adequate to reflect in accordance with sound accounting practices their operations, resources and expenditures in respect of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including 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; 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.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, 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 or payment out of the Special 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 (b) 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, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) ARC 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 hereof, an extraordinary situation shall have arisen which shall make it improbable that ARC will be able to perform its obligations under the Project Agreement.
- (c) Law No. 22 of the year 1972 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ARC 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 ARC 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 of the EIB Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EIB Loan Agreement, or
  - (B) the EIB 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;
- (b) the event specified in paragraph (c) and (d) of Section 5.01 of this Agreement shall occur; and
- (c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

#### 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) that the Project Agreement has been duly authorized or ratified by ARC and is legally binding upon ARC in accordance with its terms;
- (b) that consultants for the supervision of construction under Part A(1) of the Project have been employed and letters of invitation have been issued to consultants for the policy studies to be carried out under Part A(3) of the Project, all in accordance with the provisions of Section II of Schedule 4 to this Agreement;
- (c) that all conditions precedent to the effectiveness of the EIB Loan Agreement, or the Borrower's right to make withdrawals thereunder, except only the effectiveness of this Agreement, shall have been fulfilled; and
- (d) that the Borrower has established a Coordinating Committee, with composition, organization and terms of reference satisfactory to the Bank, to supervise the carrying out, and to evaluate the results, of the studies included in the Project.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been

duly authorized or ratified by ARC, and is legally binding upon ARC in accordance with its terms.

Section 6.03. The date 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 Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

##### For the Borrower:

Ministry of Planning  
P.O. Box 555  
Amman  
Hashemite Kingdom of Jordan

##### Cable address:

MINISTRY OF PLANNING  
Amman

##### Telex:

21319

##### 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 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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.

HASHEMITE KINGDOM OF JORDAN

By /s/ Fayez Al-Tarawneh  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser  
Regional Vice President  
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) (a) Civil Works under Part A (1) of the Project	20,200,000	70%
(b) Civil Works under Part A (2) of the Project	10,000,000	70%
(2) (a) Technical Assistance under Part A (3) of the Project	500,000	100%
(b) Supervision of construction under Part A (1) and (2) of the Project	2,000,000	100%
(c) Technical Assis- tance under Part B of the Project	300,000	100%
(3) Unallocated	2,000,000	
	<hr/>	
TOTAL	35,000,000 =====	

2. 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 aggregate amount not exceeding the equivalent of \$500,000 may be made in respect of expenditures incurred prior to that date but after February 1, 1993.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to reduce long-term transport costs by: (i) upgrading the Desert Highway linking Amman and the port of Aqaba; (ii) rehabilitating key road sections, improving road maintenance and enforcing axle load limits; and (iii) strengthening the technical, financial and managerial capabilities of the Borrower's institutions responsible for the transport sector.

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: Highways

1. Reconstruction and improvement of approximately 71 km of the Desert Highway between Wadi Yutum and Ras El Naqab, including upgrading of an existing detour on the escarpment section at Ras El Naqab.

2. Implementation of the Road Rehabilitation Program which shall



include highway sections that satisfy the evaluation criteria referred to in Section 3.03 of this Agreement.

3. Design of a program to improve capacities and capabilities of institutions in the highway sector to address policy issues related to cost recovery and the rapid deterioration of the road system, through:

(a) carrying out a road transport policy issues study to assist the Borrower in identifying alternative cost recovery strategies for financing the road sector, including an assessment of options for a road transport regulatory regime that optimizes revenues and economic benefits, including the administration of licensing and import controls, mechanisms for setting tariffs, analysis of optimum penalties for overloading and the impact of deregulation of the trucking industry;

(b) carrying out an institutional study to assist the Borrower in evaluating alternative institutional frameworks for the planning, design and implementation of road construction, rehabilitation and maintenance; and

(c) carrying out an implementation study to prepare detailed plans and programs for road transport regulation and cost recovery, including design of a detailed organizational structure and training of staff for institution(s) selected to implement the Borrower's road transport policy.

Part B: Railway

1. Carrying out a policy study to assist the Borrower to design an appropriate corporate structure and supportive institutional framework for ARC, consistent with fully commercial objectives.

2. Provision of operational and management support to assist ARC to: (a) institute improved maintenance systems and practices for its locomotive fleet; (b) increase throughput through better equipment utilization and improved customer service; (c) enhance financial control systems and costing procedures; (d) improve information management systems to enhance managerial control and decision-making; and (e) prepare a long-term corporate and market development plan.

\* \* \*

The Project is expected to be completed by December 31, 1998.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1998	655,000
May 1, 1999	680,000
November 1, 1999	705,000
May 1, 2000	730,000
November 1, 2000	755,000
May 1, 2001	785,000
November 1, 2001	815,000
May 1, 2002	845,000
November 1, 2002	875,000
May 1, 2003	910,000
November 1, 2003	940,000
May 1, 2004	975,000
November 1, 2004	1,015,000
May 1, 2005	1,050,000
November 1, 2005	1,090,000
May 1, 2006	1,130,000
November 1, 2006	1,175,000
May 1, 2007	1,215,000

November 1, 2007	1,260,000
May 1, 2008	1,310,000
November 1, 2008	1,355,000
May 1, 2009	1,410,000
November 1, 2009	1,460,000
May 1, 2010	1,515,000
November 1, 2010	1,570,000
May 1, 2011	1,630,000
November 1, 2011	1,690,000
May 1, 2012	1,750,000
November 1, 2012	1,815,000
May 1, 2013	1,890,000

\* 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

##### Procurement and Consultants' Services

###### Section I. Procurement of Works

###### Part A: International Competitive Bidding

1. Except as provided in Part B hereof, works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will

be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in bid evaluation.

2. Bidders for the works included in Part A (1) of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

#### Part B: Other Procurement Procedures

Contracts for works to be carried out under Part A (2) of the Project estimated to cost the equivalent of \$5,000,000 or less per contract, up to an aggregate amount equivalent to \$20,000,000, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

#### Part C: Review by the Bank of Procurement Decisions

1. For review by the Bank of prequalification decisions, the procedures described in paragraph 1 of Appendix 1 to the Guidelines shall be followed.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

1. In order to assist the Borrower in supervising construction and in carrying out Part B of the Project, the Borrower shall employ 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 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the

employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

1. The Borrower shall cause ARC to provide the Bank, for its approval, the short list of consultants to carry out Part B of the Project. The Borrower shall by June 30, 1994, review with the Bank and ARC the findings and recommendations of the studies to be carried out under Part B of the Project concerning ARC's institutional and financial structure and the corporate development plan proposed to be carried out on the basis of such recommendations. Thereafter, on the basis of such recommendations and exchange of views, the Borrower and ARC shall carry out a corporate development plan in accordance with a schedule agreed to by ARC, the Borrower and the Bank.

2. (a) The Borrower shall ensure that the amounts in excess of net and gross vehicle loads authorized in Regulations No. 36 of 1983 shall be reduced as follows:

- (i) by October 31, 1993 - by 50 percent;
- (ii) by June 30, 1994 - at a rate of 75 percent; and
- (iii) by February 28, 1995 - as specified by Regulations No. 36 of 1983.

(b) Commencing in July, 1993, the Borrower shall cause MPWH to provide the Bank with the results of regular axle load surveys to monitor enforcement.

3. (a) In order to ensure that any items of archaeological or cultural significance are not damaged by the Project, and that cultural heritage is preserved, the Borrower shall ensure that:

- (i) the five sites identified during the archaeological survey are excavated prior to commencement of road works;
- (ii) a suitably qualified representative from the Department of Antiquities is present during major excavation and earthworks; and
- (iii) any items of archaeological or cultural significance discovered during construction are preserved and protected, in consultation with the Department of Antiquities.

(b) The Borrower shall allocate sufficient funds in its budget and shall include appropriate provisional items in the road construction contracts in order to meet the requirements for archaeological monitoring, excavation and preservation listed in sub-paragraph (a) above.

4. Before October 31 in each of its fiscal years, the Borrower shall cause MPWH to provide to the Bank the proposed Road Rehabilitation Program for the next following fiscal year. Promptly thereafter, MPWH and the Bank shall exchange views thereon, and the Borrower shall cause MPWH to implement the annual Road Rehabilitation Program agreed to between MPWH and the Bank.

5. (a) The Borrower shall ensure the allocation of resources adequate for the proper maintenance of the Borrower's road network.

(b) The Borrower shall by June 30, 1994, review with the Bank the findings and recommendations of the studies of policy and

institutional issues in the road transport sector to be carried out under Part A (3) of the Project and the measures proposed by the Borrower to be taken on the basis of such recommendations. Thereafter, on the basis of such recommendations and exchange of views, the Borrower shall carry out a program to achieve cost recovery in the road transport sector in accordance with a schedule agreed upon between the Borrower and the Bank.

6. (a) Without limitation upon the provisions of Section 9.07 of the General Conditions, commencing three months after the effective date of this Agreement, the Borrower shall cause MPWH to prepare and furnish to the Bank quarterly progress reports, in form and substance agreed to between the Bank and the Borrower;

(b) the Borrower, MPWH, MOT, ARC and the Bank shall, not later than three years after the effective date of this Agreement, hold a mid-term exchange of views on the progress achieved in carrying out the Project; and

(c) prior to such mid-term exchange of views, the Borrower shall prepare and furnish to the Bank for its review and comments, a report on the progress achieved in the carrying out of the Project, in such detail as the Bank shall reasonably request.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Loan Account and deposited in 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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 the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

Conditions.

