

Public Disclosure Authorized

**CONFORMED COPY**

---

---

**LOAN NUMBER 7372-EGT**

**Loan Agreement**

**(Second Pollution Abatement Project)**

**between**

**ARAB REPUBLIC OF EGYPT**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

Public Disclosure Authorized

**Dated May 8, 2006**



**LOAN NUMBER 7372-EGT**

**LOAN AGREEMENT**

AGREEMENT dated May 8, 2006, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower has a five year plan to reduce pollution generated by the industrial sector (the Program);

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

(C) the Japan Bank for International Cooperation (JBIC) has agreed to make available for the benefit of the Borrower a loan in an amount of forty million United States dollars (US\$40,000,000) equivalent to assist in financing Part B of the Project on the terms and conditions set forth in an agreement (the JBIC Agreement) to be entered into between the Borrower and JBIC;

(D) the Government of Finland (GOF) has agreed to make a grant (the GOF Grant) to the Borrower in an amount equivalent to nine hundred thousand Euro (€900,000) to assist in financing Part A of the Project on the terms and conditions set forth in an agreement (the GOF Grant Agreement) to be entered into between the Borrower and the Bank, as administrator of the GOF Grant;

(E) the European Investment Bank (EIB) has agreed to make available for the benefit of the Borrower's Egyptian Environmental Affairs Agency (EEAA) a grant (the EIB Grant) in an amount equivalent to three million five hundred thousand Euro (€3,500,000) to assist in financing Part A of the Project on terms and conditions set forth in a cooperation agreement (the EIB Grant Agreement) to be entered into between the Borrower's EEAA and EIB;

(F) Part B of the Project will be carried out, on behalf of the Borrower, by the National Bank of Egypt (NBE) and, consequently, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to NBE, 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 NBE (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 Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

Paragraph 22 of Section 2.01 of the General Conditions shall be modified as follows:

“22. “Fixed Spread” means the Bank’s fixed spread of 0.50% in respect of the initial Loan Currency, provided, that upon a Currency Conversion of all or any portion of the unwithdrawn principal amount of the Loan, such fixed spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines.”

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) “Beneficiary” means any public or private polluting enterprise to which NBE or a Participating Bank (as these terms are defined hereinafter) proposes to make or has made a Sub-loan (as this term is defined hereinafter);

(b) “EEAA” means the Egyptian Environmental Affairs Agency, established and operating pursuant to Law No. 4 of 1994 of the Borrower or any successor thereof;

(c) “EGGEIA” means the Egyptian General Guidelines for Environmental Impact Assessment adopted by EEAA on January 9, 2006;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “NBE” means the National Bank of Egypt, established and operating under Law No. 188 of 2003, with which the Borrower has entered into the Subsidiary Loan Agreement (as this term is defined hereinafter);

(f) “Program” means the Borrower’s five year plan to reduce pollution generated by the industrial sector, declaring the Borrower’s commitment to the execution thereof. Such Program shall be partly supported by the Project, direct concessionary financing from the European Investment Bank and the Agence Française de Développement to NBE, grant financing from the Global Environment Facility to the

Borrower for the Alexandria Integrated Coastal Zone Management as well as support to develop carbon finance assets;

(g) “Project Agreement” means the agreement between the Bank and NBE 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;

(h) “PMU” means the Project Management Unit to be maintained in accordance with the provisions of paragraph 1 (a)(ii) of Schedule 4 to this Agreement;

(i) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(j) “Statutes” means Law No. 188 of 2003, pertaining to the establishment and operations of NBE, as amended to the date of this Agreement;

(k) “Steering Committee” means the committee to be maintained in accordance with the provisions of paragraph 1 (a)(i) of Schedule 4 to this Agreement;

(l) “Sub-loan” means a loan made or proposed to be made by NBE or by a Participating Bank to a Beneficiary for a Sub-project (as this term is defined hereinafter) in part out of the proceeds of the Loan;

(m) “Sub-project” means a specific pollution abatement project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(n) “Subsidiary Loan Agreement” and “Subsidiary Loan” mean respectively: (i) the agreement entered into between the Borrower and NBE pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement; and (ii) the proceeds of the Loan made available pursuant to the Subsidiary Loan Agreement; and

(o) “Subsidiary Participating Agreement” and “Participating Finance” mean, respectively: (i) any agreement entered into between NBE and a Participating Bank pursuant to paragraph 1 of the Annex A to Schedule 2 to the Project Agreement; and (ii) the proceeds of the Subsidiary Loan made available to a Participating Bank pursuant to a Subsidiary Participating Agreement.

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

## 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 this Agreement, an amount equal to twenty million United States dollars (US\$20,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made by Beneficiaries under Sub-loans to meet the reasonable cost of goods required for Sub-projects in respect of which the withdrawal from the Loan Account is requested, and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

(b) The Borrower may, through NBE for the purposes of the Project open and maintain in United States dollars a special deposit account in NBE on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. 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 February 28, 2012, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at

the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 1st and September 1st in each year.

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

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. NBE is designated as the 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.

Section 2.11. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling on behalf of the Borrower, debt service payments with respect to the Loan.

### **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:

- (i) shall cause EEAA to carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part; and
- (ii) without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause NBE to perform in accordance with the provisions of the Project Agreement all the obligations of NBE 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 NBE 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 cause EEAA to: (i) coordinate the overall implementation of the Project; and (ii) carry out Part A of the Project in accordance with the implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall re-lend the proceeds of the Loan to NBE under a subsidiary loan agreement to be entered into between the Borrower and NBE, under terms and conditions satisfactory to the Bank, including, inter alia: (i) payment of interest, charges and premium; and repayment of such amount in accordance with Article II of this Agreement; (ii) payment of any other charges which may be required by the Borrower; and (iii) foreign exchange risk to be borne by NBE.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.



Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods required for Sub-projects 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall cause EEAA to:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower, EEAA and NBE on said plan.

Section 3.04. The Borrower and the Bank 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) shall be carried out by NBE pursuant to Section 2.03 of the Project Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall ensure that NBE shall establish and thereafter maintain, a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

(b) The Borrower shall cause NBE to:

(i) have its financial statements and that referred to in paragraph (a) of this Section for each fiscal year (or other period proposed by the Borrower and agreed to by the Bank) audited by independent auditors in accordance with consistently applied auditing standards both such auditors and standards to be acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period proposed by the Borrower and agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period

proposed by the Borrower and agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may 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 cause NBE to:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. Without limitation upon the NBE's progress reporting obligations set out in Schedule 2 to the Project Agreement, the Borrower shall cause NBE to prepare and furnish to the Bank a financial monitoring report, as set forth in Section 4.02 of the Project Agreement.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely that the Subsidiary Loan Agreement has been executed by the Borrower and NBE.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that the Project Agreement has been duly authorized or ratified by NBE, and is legally binding upon NBE in accordance with its terms; and

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

Section 5.03. The date one hundred and eighty (180) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VI

### Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.10 of this Agreement, the Minister of International Cooperation of the Borrower and the Under Secretary for International, Regional and Arab Financing Organizations of the Ministry of International Cooperation of the Borrower, are severally designated as representatives of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation  
8 Adly Street,  
Cairo, Egypt

Cable address:

Ministry of International Cooperation  
Cairo, Arab Republic of Egypt

Facsimile:

(202) 391 2815  
(202) 391 5167

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Fayza Abounaga

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Emmanuel Mbi

Acting 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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Sub-loans	20,000,000	100% of the amounts paid by NBE and the Participating Banks
(2) Premia for Interest Rate Caps and Interest Rate Collars	0	Amounts due under Section 2.09(c) of this Agreement
<b>TOTAL</b>	<u>20,000,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure made on account of Sub-loans costing less than US\$5,000,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to demonstrate the applicability of market-based financial and technical approaches to achieve pollution abatement in selected areas, particularly in and around the Greater Cairo and Alexandria areas.

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 objective:

#### Part A: Capacity Building, Project Coordination and Design

Provision of technical assistance to: (i) improve the environmental planning and management capacities of EEAA, the Beneficiaries and other Project stakeholders; (ii) assist EEAA in the implementation of the recommendations of EGGEIA; (iii) coordinate the overall implementation of the Project; and (iv) complete the design of the Alexandria Integrated Coastal Zone Management proposal with a GEF grant financing in the proposed amount of US\$7,500,000.

#### Part B: Credit Facility

The financing, through the provision of Sub-loans by NBE and the Participating Banks, of specific cost-effective pollution abatement investments by Beneficiaries to bring effluent discharges and air emissions of said Beneficiaries' existing facilities towards compliance with the Environmental Legislation, and promote overall environmental performance of said Beneficiaries.

\* \* \*

The Project is expected to be completed by August 31, 2011.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each March 1 and September 1 Beginning September 1, 2014 through September 1, 2025	4.17%
On March 1, 2026	4.09%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each

Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall, through EEAA: (a) cause to be maintained arrangements, satisfactory to the Bank, for assisting NBE and the Participating Banks in the carrying out of their activities under the Project, and for the overall coordination and supervision of Project implementation, including through the maintenance, with qualified staff and other resources, of: (i) a Steering Committee comprising of representatives of the Borrower's Minister of State for Environmental Affairs, EEAA, other ministries of the Borrower, the Borrower's public enterprise sector, NBE, the Participating Banks and the Federation of Egyptian Industries, to be responsible for the oversight of Project implementation and the provision of policy guidance thereunder, and for reviewing and recommending for financing under the Project all Sub-projects proposed to be financed through the provision of Sub-loans of more than the equivalent of \$2,000,000 each; and (ii) a Project Management Unit within EEAA, headed by a full-time Project Manager, to be primarily responsible for: (A) reviewing, and recommending for financing, all Sub-projects proposed to be financed under the Project through the provision of Sub-loans not exceeding the equivalent of \$2,000,000 each; (B) the technical evaluation of Sub-projects; (C) entering for, and on behalf of EEAA into a Sub-project technical implementation agreement with each Beneficiary, in the format agreed with the Bank, to monitor and ensure that the Sub-project is carried out in accordance with the provisions of the Environmental Legislation, the Operational Manual including the EGGEIA, and appropriate technical, health and safety practices, and (D) ensuring that the procurement of goods financed under Sub-loans is undertaken in accordance with the provisions of Schedule 1 to the Project Agreement.

2. The Borrower shall, through EEAA: (a) cause to be maintained procedures adequate to enable it to monitor and assess, on an ongoing basis, in accordance with indicators agreed with the Bank, the carrying out of the Project and the achievement of the objectives thereof; (b) cause to be prepared, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) by September 1st of each year, until completion of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of the Project during the 12-month period preceding the date of such report, and (ii) on or about December 31, 2009, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to sub-paragraph (b)(i) above, on the progress achieved in the carrying out of the Project during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Bank, NBE and EEAA the progress reports and, thereafter, cause to be taken all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Bank's views on the matter.

3. Except as the Bank shall otherwise agree, the Borrower shall cause EEAA not to amend or waive any provision of the Operational Manual including the EGGEIA if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term “eligible Category” means Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of amounts paid on account of Sub-loans, 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 the amount of two million United States Dollars (US\$2,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall through NBE 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 through NBE have requested.

(b) (i) For replenishment of the Special Account, the Borrower through NBE 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, Borrower through NBE 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 through NBE 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 Category, 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, through NBE, out of the Special Account, the Borrower shall, through NBE 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 through NBE shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 Category 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.