

CONFORMED COPY

LOAN NUMBER 3570 IRN

Loan Agreement

(Irrigation Improvement Project)

between

ISLAMIC REPUBLIC OF IRAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 31, 1993

LOAN NUMBER 3570 IRN

LOAN AGREEMENT

AGREEMENT, dated March 31, 1993, between ISLAMIC REPUBLIC OF IRAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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;

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. The General Conditions shall apply to this Agreement to the extent the provisions thereof are consistent with the provisions 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MEAF" means the Ministry of Economic Affairs and Finance of the Borrower;

(b) "MOA" means the Ministry of Agriculture of the Borrower;

(c) "MOE" means the Ministry of Energy of the Borrower;

(d) "PSC" means the Project Steering Committee referred to in Part A (1) of Schedule 5 to this Agreement;

(e) "Project Area" means the irrigation and drainage schemes in Behbahan, Tajan, Moghan and Zarrineh Roud of the Borrower;

(f) "RWA" means a Regional Water Authority operating under MOE in the Project Area;

(g) "PAD" means a Provincial Agricultural Department of MOA in the Project Area;

(h) "LO" means a Liaison Office established by MOA or MOE and to be assigned, under the Project, the functions stated in Part A (6) (b) of Schedule 5 to this Agreement;

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

(j) "DOE" means the Borrower's Department of the Environment; and

(k) "Resettlement Plan" means the plan prepared by MOA and furnished to the Bank on November 2, 1992 for resettlement of 49 families whose village would be flooded as a result of the reservoir to be created by the ongoing construction of the Maroon River Dam, 15 km upstream of Behbahan in the Project Area.

## 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 one hundred fifty-seven million dollars (\$157,000,000), 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 and in respect of interest and other charges on the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. 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, 2001 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 commission on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Commission 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 the commission accrued on the principal amount outstanding during the preceding Commission Period, calculated at the rate applicable during such Commission 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) "Commission 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 Commission 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 commission 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 commission accrued on the principal amount outstanding during the preceding Commission Period, calculated at the rates applicable during such Commission 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. Commission and other charges shall be payable semi-annually 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, shall carry out the Project through MOA and MOE with due diligence and efficiency and in conformity with appropriate engineering, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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 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 goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall cause MOA and MOE to maintain, through their respective LOs, separate 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 cause MOA and MOE:

(i) to 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) to furnish to the Bank as soon as available, but in any case not later than nine 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) to 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 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

Effective Date; Termination

Section 5.01. The date sixty (60) days after 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. The Minister of Economic Affairs and Finance of the Borrower is designated as representative 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 Economic Affairs  
and Finance  
Nasser Khosrow Avenue  
Tehran, Iran

Cable address:

MINISTRY OF ECONOMIC  
AFFAIRS AND FINANCE  
TEHRAN

Telex:

212838 MEF IR

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:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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.

ISLAMIC REPUBLIC OF IRAN

By /s/ Mohamad Khazaei

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ C. Koch-Weser

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works:		100% of foreign expenditures
(a) to be executed by MOE and the RWAs	54,000,000	
(b) to be executed by MOA and its PADs	16,000,000	
(2) Equipment and materials:		100% of foreign expenditures
(a) for MOE and its RWAs	24,500,000	
(b) for MOA and its PADs	31,500,000	
(3) Consultants' services and training:		100% of foreign expenditures
(a) for MOE and its RWAs	10,500,000	
(b) for MOA and its PADs	6,000,000	
(4) Unallocated	14,500,000	
	<hr/>	
TOTAL	157,000,000 =====	

2. For the purposes of this Schedule 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.

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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are (a) to enhance management of water resources in the Project Area, (b) to upgrade agricultural research and extension services and improve agricultural productivity in the Project Area, and (c) to enhance the capacity of the institutions involved in Project implementation.

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:           Irrigation and Drainage Facilities

- (1)   Construction, improvement or lining of main, secondary and tertiary canals, construction of drains and of pumping stations for irrigation lifts and for drainage return flow.
- (2)   Carrying out of on-farm development; comprising subsurface drainage and land leveling and of demonstration schemes for on-farm water management.
- (3)   Construction of offices and staff houses and provision of vehicles and equipment for operation and maintenance of the irrigation and drainage systems in the Project Area.

Part B:           Agricultural Services

- (1)   Strengthening of agricultural research and extension through the provision for the Agricultural Services Centers of MOA in the Project Area of operation equipment and vehicles, housing facilities and additional staff.
- (2)   Training of PADs' staff.
- (3)   Carrying out of a pilot program to test methods for the creation of specialized extension services for women.
- (4)   Provision of farm machinery and implements for sale to farmers in Tajan and Zarrineh Roud.

Part C:           Environmental Protection

- (1)   Provision of equipment, technical services and training to strengthen the environmental management capacity of MOA, MOE, DOE, PADs and RWAs.
- (2)   Development of model surface water and groundwater quality monitoring programs and agricultural chemical management programs for the Project Area.
- (3)   Carrying out of erosion control programs in Moghan and Tajan and archaeological site survey in Behbahan.
- (4)   Carrying out of environmental management studies concerning the Shadegan Marshes Protected Area, Lake Oruyimeh National Park, man-made shallow ponds in the Tajan Plain, and fishery resources in the Maroon and Tajan Rivers.

Part D:           Institutional Development, Training and Studies

- (1)   Provision of equipment, staff and other facilities to the LOs in Tehran and to the planning units of MOA and MOE.
- (2)   Carrying out, with the assistance of experts, of: (a) an irrigation subsector review, (b) feasibility studies for selected priority irrigation schemes in the Project Area, (c) studies of common aspects in Project implementation, such as monitoring and evaluation, and operation and maintenance procedures, (d) a study of rural financial markets, and (e) hydrometric monitoring.
- (3)   Employment of a panel of experts to review all technical and operational safety aspects concerning the Maroon River and Shahid Rajai Dams.
- (4)   Training for the managerial and technical staff of MOA, MOE, RWAs, PADs, DOE,

the Agricultural Bank of Iran and other staff involved in project implementation.

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The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 1 and November 1 beginning November 1, 1998 through November 1, 2009	6,540,000
On May 1, 2010	6,580,000

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\* 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 commission 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	0.18
More than three years but	0.35



not more than six years before maturity	
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and 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).

2. (a) Bidders for works shall be prequalified as described in paragraph 2.10 of the Guidelines.

(b) To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost the equivalent of \$4,000,000 or more each.

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Islamic Republic of Iran may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

##### Part C: Other Procurement Procedures

1. Contracts for the construction of offices, staff houses and workshops or for on-farm development, estimated to cost the equivalent of not more than \$1,000,000, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items of equipment and materials estimated to cost not more than the equivalent of \$200,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Items of spare parts which the Bank agrees, for purposes of compatibility with existing machinery and equipment, to their procurement from particular suppliers, may be procured under contracts to be concluded with such suppliers on terms satisfactory to the Bank.

4. Miscellaneous items of equipment and spare parts estimated to cost not more than the equivalent of \$100,000 per contract up to an aggregate amount not exceeding the equivalent of \$7,000,000, may be procured under contracts concluded in accordance with procedures acceptable to the Bank, on the basis of comparison of price quotations obtained from at least three suppliers.

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

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 (a) hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 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 from the Loan Account are to be made on the basis of statements of expenditure.

3. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the MOA and MOE in the carrying out of the Project, the Borrower shall cause MOA and MOE to employ, in accordance with a time schedule acceptable to the Bank, 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.

SCHEDULE 5

Implementation Program

A. Implementation Responsibilities and Arrangements

(1) The Borrower shall maintain the existence of the Project Steering Committee (PSC), chaired by a Deputy Minister of MEAF, and assign to it the responsibilities for (a) approval of annual work program and budget for the Project, (b) monitoring progress in Project implementation, and (c) coordination with other agencies to facilitate such implementation.

(2) MOE shall be responsible for the carrying out of works under Part A (1) and (3) of the Project.

(3) MOA shall be responsible for the carrying out of Parts A (2) and B of the Project.

(4) MOA and MOE shall be responsible for the carrying out of activities falling under their respective jurisdictions under Parts C and D of the Project.

(5) Whenever relevant, DOE shall participate in activities of PSC related to the carrying out of Part C of the Project.

(6) MOA and MOE shall:

(a) assign the technical responsibility for the carrying out of their respective activities under the Project to their PADs and RWAs in the Project Area; and

(b) each maintain and adequately staff its Liaison Office (LO), and make it responsible for: (i) review of draft Project annual work plan, and for submission of the same to PSC, (ii) coordination of activities under the Project, (iii) preparation, on the basis of information obtained from agencies involved in the carrying out of the Project, of Project consolidated progress reports, (iv) maintenance of financial procedures for the Project, preparation of application for withdrawal of the proceeds of the Loan and arranging for audit of the Project accounts referred to in Section 4.01 of this Agreement, (v) review of procurement documents under the Project and carrying out such procurement whenever feasible, and (vi) preparation for the carrying out of the studies referred to in Part D (2) of the Project.

#### B. Special Requirements

(1) The Borrower shall cause MOE: (a) to employ the panel of experts referred to in Part D (3) of the Project not later than December 31, 1993 and under terms of reference satisfactory to the Bank.

(2) The Borrower shall cause MOA and MOE to strengthen, during the period of Project implementation, the functions of operation and maintenance of irrigation and drainage systems in the Project Area through the assignment of additional technical and administrative staff.

(3) The Borrower shall cause MOA:

(a) to implement the Resettlement Plan in accordance with the time schedule indicated therein, and

(b) to incorporate information regarding such implementation in the reports to be furnished to the Bank pursuant to Part C of this Schedule.

(4) For the import and distribution of farm machinery and implements under Part B (4) of the Project, the Borrower shall cause MOA:

(a) to seek offers for such import from importers with appropriate qualifications and experience;

(b) to undertake the evaluation of such offers in accordance with criteria and procedures satisfactory to the Bank and MOA; and

(c) to make the proceeds of the Loan allocated for such machinery and implements available to the selected importers under contracts whereby such importers shall be required (i) to pay the equivalent in Iranian Rials of the proceeds of the Loan made available to them on the basis of the free market exchange rate used by the Central Bank of Iran on the day of opening the relevant letter of credit on account of such import, and (ii) to limit distribution of such machinery and implements to the parts of the Project Area located in Tajan and Zarrineh Roud, and to furnish to MOA evidence demonstrating such distribution.

#### C. Reporting

The Borrower shall: (a) ensure the preparation by the LOs and the furnishing to the Bank, by June 30, 1997, of a detailed report on the status of Project implementation, describing, inter alia, progress in achieving the physical targets, specified in the annual work program referred to in Part A (1) of this Schedule, the managerial and technical difficulties encountered in the implementation of the Project and the adequacy of resources allocated for such implementation, and (b) cause MOE, MOA, PADs, RWAs and DOE to conduct jointly with the Bank, on the basis of the findings of such report, in September 1997, or such other date as the Bank may agree, a mid-term review of the Project with a view to agreeing to such adjustments to the Project components or such other measures as may be required to achieve the objectives of the Project.

## SCHEDULE 6

### Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of 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 \$3,000,000 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 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, 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.

