

CONFORMED COPY

LOAN NUMBERS 4107 - 0 UA
4107 - 1 UA

Loan Agreement

(Export Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

STATE EXPORT-IMPORT BANK OF UKRAINE

Dated May 15, 1997

LOAN NUMBERS 4107 - 0 UA
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LOAN AGREEMENT

AGREEMENT, dated May 15, 1997, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE EXPORT-IMPORT BANK OF UKRAINE (the Borrower).

WHEREAS (A) Ukraine (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth in Schedule 8 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Export Development Sub-loan" or "Sub-loan" means a loan made or proposed to be made by the Borrower, out of the proceeds of the Loan allocated from time to time to Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, works, and services under an Export Development Sub-Project;

(b) "free-limit Sub-loan" means an Export Development Sub-loan (as so defined) proposed to be made in an amount less than the threshold specified for prior Bank review under paragraph 1 (b) of Section III of Schedule 5 to this Agreement, and qualifying to be made for an Export-Development Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph;

(c) "EDF" means the export development technical assistance Fund to be established pursuant to Part A of the Project and to be utilized for financing the Export Development TA Sub-projects;

(d) "Cost-sharing EDF Grant" means a grant, made or proposed to be made by the Borrower through the EDEF out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise under an Export Development TA Sub-project;

(e) "Cost-sharing Grant Agreement" means the agreement referred to in paragraph 2 of Section II of Schedule 6 to this Agreement;

(f) "Beneficiary Enterprise" means an enterprise, satisfying the appropriate criteria as set forth in Section I of Schedule 5 to this Agreement, and in Section I of Schedule 6 to this Agreement, as applicable, and to which the Borrower proposes to make or has made an Export Development Sub-loan or Cost-sharing EDF Grant;

(g) "Sub-project" means an Export Development Sub-project or an Export Development TA Sub-project, as the case may be;

(h) "Export Development Sub-Project" means a specific project, selected in accordance with Section 3.02 (a) of this Agreement, which is proposed to be carried out by a Beneficiary Enterprise utilizing, in whole or in part, in whole or in part through the utilization of the proceeds of an Export Development Sub-loan;

(i) "Export Development TA Sub-project" means a specific project, selected in accordance with Section 3.02 (b) of this Agreement, which is proposed to be carried out by a Beneficiary Enterprise utilizing, in whole or in part, in whole or in part through the utilization of the proceeds of a Cost-Sharing EDF Grant;

(j) "Statutes" means the Decree No. 29/92 of the President of Ukraine dated January 3, 1992, establishing the Export-Import Bank of Ukraine; the Charter of the Borrower registered with the National Bank of Ukraine on January 23, 1992; and such other laws, decrees, licenses, charter or regulations governing the operations of the Borrower as may be adopted or enacted from time to time;

(k) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(l) "Deutsche Mark" and "DEM" each means the lawful currency of the Federal Republic of Germany;

(m) "DEM Loan Tranche" means the amount of the Loan specified in Section 2.01 (b) of this Agreement;

(n) "USD Loan Tranche" means the amount of the loan specified in Section 2.01 (a) of this Agreement;

(o) "Loan Tranche" means the DEM Loan Tranche or the USD Loan Tranche, as the case may be;

(p) "International Accounting Standards" or "IAS" mean the accounting standards issued or endorsed by the International Accounting Standards Committee;

(q) "BIS" means the Bank for International Settlements; and

(r) "Insider" means any member of the supervisory board, executive board, or day-to-day management of the Borrower, or any person closely related to any of the above-mentioned persons, or legal persons controlled by the above-mentioned persons.;

(s) "Export Development Sub-loan Agreement" means the agreement referred to in paragraph 3 of Section II of Schedule 5 to this Agreement;

(t) "Agency Agreement" means the agreement dated September 19, 1996, between the Borrower and the Cabinet of Ministers of Ukraine, represented by the Ministry of Finance of Ukraine, establishing a procedure for inter-governmental lending activities by the Borrower on behalf of the Guarantor, and defining the mechanisms to be used to protect the Borrower entitled _____, and dated _____, 1996 from financial risks which might be borne by the Borrower in connection with such agency lending;

(u) "Export Services Department" means a department within the Borrower established pursuant to the Borrower's Decision No. 8 of April 9, 1996, or any successor to such department; (v) "PMU" means a project management unit of the Borrower established pursuant to Order No. 219 of the Chairman of the Board of the Borrower, of September 20, 1996, or any successor to such unit; and

(w) "Qualifying Expenditures" means the reasonable cost of goods, works and services required for the carrying out of a Sub-project, provided that such expenditures are actually made or incurred by the Beneficiary Enterprise and are for items qualifying according to the applicable eligibility criteria referred to in 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, the following amounts:

- (a) an amount equal to sixty million dollars (\$60,000,000); and
- (b) an amount equal to fifteen million Deutsche Marks (DEM 15,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for:

- (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of a withdrawal made by a Beneficiary Enterprise under an Export Development Sub-loan under Part C of the Project or a Cost-sharing EDF Grant under Part A of the Project, to finance the costs of Qualifying Expenditures incurred by a Beneficiary Enterprise for goods, works and services required for a Sub-project qualifying according to the provisions of this Agreement; and
- (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Part B of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project open and maintain in the single currency of each Loan Tranche a special deposit account, each in a commercial bank acceptable to the 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 Accounts shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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: (i) the USD Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to USD LIBOR Base Rate plus USD LIBOR Total Spread; and (ii) the DEM Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to DEM LIBOR Base Rate plus DEM LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "USD LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "USD LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the USD Loan Tranche; as reasonably determined by the Bank and expressed as a percentage per annum.
- (v) "DEM LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Deutsche Mark for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (vi) "DEM LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the DEM Loan Tranche; as reasonably determined by the Bank and expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower

of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project; Management and Operations of the Borrower

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and conduct its operations and affairs in accordance with sound financial, economic, and administrative standards with qualified management and personnel, and in accordance with its Statutes.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Bank and the Borrower shall otherwise agree, the Borrower shall, for the purposes of carrying out the Project:

(a) Sselect the Beneficiary Enterprises proposing to carry out Export Development Sub-projects under Part C of the Project, make the Sub-loans to such Beneficiary Enterprises, and administer the same in accordance with its own prudential guidelines and in accordance with the criteria, procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement; and

(b) Sselect the Beneficiary Enterprises proposing to carry out Export Development TA Sub-projects under Part A of the Project, make the Cost-sharing EDF Grants to such Beneficiary Enterprises, and administer the same in accordance with its own prudential guidelines and in accordance with the criteria, procedures and the terms and conditions set forth or referred to in Schedule 6 to this Agreement.

Section 3.03. (a) For purposes of Part B of the Project, the Borrower shall, by March 31, 1997, have concludedconclude an agreement satisfactory to the Bank, with an experienced foreign export-import bank or another suitable institution or institutions, providing for the entering into by the Borrower of a twinningn arrangement with such bank or other institutions providing for the carrying out of a comprehensive plan for institution building through the establishment of a close relationship between the Borrower and such bank or other institutions.

(b) The Borrower shall exercise its rights and perform its obligations under the agreement referred to in paragraph (a) of this Section 3.03 and the Agency Agreement in such a 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 agreement referred to in paragraph (a) of this Section 3.03 or the Agency Agreement, or any provisions thereof. ~ Section 3.04. Except as the Bank shall otherwise agree, the Borrower shall maintain, until the completion of the Project, the Export Services Department and the PMU, and ensure that the Export Services Department and the PMU function at all times in a manner, under terms of reference, and with staffing and budgetary resources necessary and appropriate for Project implementation, and satisfactory to the Bank.

Section 3.05. Except as the Bank shall otherwise agree:

(a) procurement of the consultants' services required for Part B of 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; and

(b) procurement of the goods, works and services required for the carrying out of Export Development Sub-projects and to be financed under the Export Development Sub-loans, and procurement of the goods and services required for the carrying out of Export Development TA Sub-projects and to be financed under the Cost-sharing EDF Grants shall be governed by the provisions of Annex A to Schedule 65 and Annex A to Schedule 56, respectively.

Section 3.06. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(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 Bank and the Borrower, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain or cause to be maintained procedures and records adequate to monitor and record the progress of the Project and of each Sub-project (including its cost and the benefits to be derived from it), and to reflect in accordance with consistently maintained accounting standards and procedures acceptable to the practices [acceptable to the Bank]Bank the operations and financial condition of the Borrower.

Section 4.02. (a) The Borrower shall:

(i) have the records referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and records and accounts for the Special Accounts for each fiscal year audited in accordance with auditing principles [acceptable to the Bank]standards and procedures acceptable to the Bank consistently applied, by independent auditors with qualifications, experience and terms of reference 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, (A) certified copies of said financial statements for such year as so audited and (B) the, and (B) an opinion on such statements and a report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning the such records, accounts and financial statements, and the audit thereof, and said auditors, as the Bank shall from time to time reasonably request.

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

(i) maintain, in accordance with Section 4.01 of this Agreement, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (a) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.03. Except as the Bank shall otherwise agree, the Borrower shall, during the implementation of the Project, take such steps satisfactory to the Bank as shall be necessary to maintain achieve by the date specified, and thereafter maintain, the following indicators of sound financial performance:

(a) minimum BIS risk-weighted capital (as defined by IAS) adequacy ratio of six percent (6%) by December 31, 1996, seven percent (7%) by December 31, 1997, and eight percent (8%) by December 31, 1998 and any year thereafter, and for any year subsequent thereto;

(b) single-borrower exposure as a percentage of IAS equity capital of no more than forty percent (40%) by December 31, 1996, thirty-five percent (35%) by December 31, 1997, thirty percent (30%) by December 31, 1998, and twenty-five percent (25%) by December 31, 1999, and any year thereafter for any year subsequent thereto; and

(c) aggregate exposure to Insiders of no more than twenty percent (20%) of IAS equity capital as of December 31, 1996, and fifteen percent (15%) as of December 31, 1997 and any year thereafter, and for any year subsequent thereto.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that the Statutes of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Chairman of the Board and the First Deputy Chairman of the Board of the Borrower are designated as representatives of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For the Borrower:

State Export-Import Bank
of Ukraine
8, Kreschatik Str.
Kyiv, 252001

Ukraine

Telex:

1331258 RICA

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil G. Kavalsky

Acting Regional Vice President
Europe and Central Asia

STATE EXPORT-IMPORT BANK OF UKRAINE

By /s/ Alexander N. Sorokin
Ildar Kh. Usmanov

Authorized Representatives

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 Dollar Loan Allocated (Expressed in Dollars)	Amount of the Deutsche Mark Allocated (Expressed in DM)	% of Expenditures to be Financed
(1) Cost-sharing EDF Grants under Part A of the Project	50,000,000	15,000,000	100%
(2) Goods and services financed under Cost-sharing EDF Grants pursuant to Part A of the Project	5,000,000	0	For goods: 100% of foreign expenditures, 100% of local expend- itures (ex-factory cost) and 80% of local expenditures for other items procured locally; For services: 100%
(2) Consultants' services for Part B of the Project	2,500,000	0	100%
(3) Export Development Sub-loans under Part C of the Project	7,500,000	50,000,000	100%
(4) Unallocated	2,500,000	0	

TOTAL 60,000,000 15,000,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) a Sub-loan for expenditures under any Export Development Sub-project, unless the Sub-project has been approved, and Sub-loan therefor has been made, in respect of any expenditures by a Beneficiary Enterprise proposed to be financed under a Sub-loan, unless the Sub-loan therefor has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement;

(b) any Cost-sharing EDF Grant expenditures under an Export Development TA Sub-project, in respect of any expenditures by a Beneficiary Enterprise proposed to be financed under a Cost-sharing EDF Grant, unless the Export Development TA Sub-project for which such Cost-sharing EDF Grant is proposed to be made has been approved in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 6 to this Agreement; and

(c) 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 \$7,000,000 may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures incurred before that date but after September 1, 1996.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works financed under the Export Development Sub-loans or goods financed under the Cost-sharing EDF Grants, under contracts not exceeding \$500,000 equivalent; or (b) consultants' services under contracts not exceeding (i) \$100,000 equivalent for consulting firms and (ii) \$50,000 equivalent for individuals, 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 assist the Borrower in carrying out a coordinated strategy for the development of the productive capacity of export-oriented enterprises in the private sector of Ukraine's economy by providing an integrated package of information, technical assistance, and financial support to selected private and privatized enterprises on the territory of Ukraine having export development potential.

The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A: Export Development Technical Assistance Fund (EDF)

At the establishment and operation of a technical assistance fund for the financing of Export Development TA Sub-projects through grants to the Beneficiary Enterprises, enabling such Beneficiary Enterprises to finance part of the costs related to the preparation and implementation of export development plans.

Part B: Institutional Development of the Borrower

Provision of technical assistance to the Borrower to enable it to become a leading export support and financing institution in Ukraine, and to strengthen the capacity of the Borrower to implement the Project.

Part C: Export Development Credit Facility

At the provision of a credit facility for the financing of Export Development Sub-loans to the Beneficiary Enterprises, enabling such Beneficiary Enterprises to finance the costs related to the carrying out of Export Development Sub-projects for export development.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)
On each April 15 and October 15	
beginning April 15, 2002	2,500,000
through April 15, 2013	2,500,000
On October 15, 2013	2,500,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

** The figures in this column represent the amount in Deutsche Mark to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Selection and Employment
of Consultants for Part B of the Project
(Institutional Development of the Borrower)

1. ConsultantsThe consultants for Part B of the Project 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 (the Consultant Guidelines). For complex, time-time-based assignments, the Borrower shall employ or cause to be employed, such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1, 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 for the employment of consultants estimated to cost less than \$100,000 equivalent each. However, daissaid exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms, (c) ; (c) assignments of a critical nature, as reasonably determined by the Bank, or (d) ; or (d) amendments to contracts for the employment of consultants raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Eligibility, Approval Procedures and Principal
Terms and Conditions of Export Development
Sub-loans under Part C of the Project
(Export Development Credit Facility)

Section I. Eligibility and Approval Procedures

1. No expenditures for an Export Development Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Export Development Sub-loan for such Export Development Sub-project:

(a) shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred twenty (120) days prior to the date on which the Borrower shall have received the application and information required under paragraph 2# (ba) of this Section in respect of such an Export Development Sub-loan; or

(b) shall be a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred twenty (120) days prior to the date on which the Borrower shall have received the request and information required under paragraph 2 (ba) of this Section in respect of such free-limit Sub-loan. For the purposes of this Agreement, a "free-limit Sub-loan" shall be any Export Development Sub-loan, other than the first five such Export Development Sub-loans approved after the Effective Date of the Loan, in an amount which shall not exceed the sum of: (i) \$2,500,000 equivalent, when added to any other outstanding amounts financed or proposed, where the Export Development Sub-loan amount does not exceed the sum of \$2,500,000 equivalent, and other than any Sub-loan to a Beneficiary Enterprise in an amount exceeding the sum of \$2,500,000 equivalent (when added to all other free-limit Sub-loans financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary Enterprise), the foregoing amount being subject to change from time to time as determined by the Bank.

2. (a) When presenting an Export Development Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Beneficiary Enterprise and an appraisal of the Export Development Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Export Development Sub-loan, including the schedule of amortization therefor; and (iii) such other information as the Bank shall reasonably request.

(b) Each Export Development Sub-loan shall be approved on the basis of a business plan incorporating an export development plan which shall be evaluated by the Borrower in accordance with established guidelines for credit evaluation adopted by the Borrower satisfactory to the Bank.

(c) Applications and requests made pursuant to the provisions of this paragraph shall be presented to the Bank on or before December 31, 2001.

3. (a) Export Development Sub-loans shall be made to the Beneficiary Enterprises which each shall have established to the satisfaction of the Borrower that: (i) it is a Private Enterprise; (ii) it will have a maximum debt-equity ratio of 70:30 if it is a Private Enterprise (as defined below in this paragraph); (iii) it will have a ratio of debt to equity (after receipt of the Export Development Sub-loan) no greater than 70:30; and (iii) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Export Development Sub-project.

(b) For purposes of this paragraph:

(i) an enterprise shall be considered to be a "Private Enterprise" where more than 50% fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Guarantor, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions.;

(ii) the term "debt" means any indebtedness of the Borrower;

(iii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such

guarantee has been entered into but only to the extent that the guaranteed debt is outstanding;

- (iv) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Beneficiary Enterprise not allocated to cover specific liabilities; and
- (v) whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

4. The Export Development Sub-loans shall be made for Export Development Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank, to:

- (a) be technically feasible and economically, financially and commercially viable;
- (b) be targeted towards generation of exports consistent with an export development plan acceptable to the Borrower;
- (c) be in compliance with all requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor;
- (d) have a projected financial rate of return of at least 15% fifteen percent (15%), where the Export Development Sub-loan is to finance an investment project; and
- (e) have, during the term of the Export Development Sub-loan, cash generation sufficient to allow the Beneficiary Enterprise to maintain a debt-service coverage ratio of at least 1-:1.5.

Section II. Terms and Conditions of Export Development Sub-Loans

1. The principal amount of either each Export Development Sub-loan made out of the proceeds of the Loan allocated from time to time to Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement shall: (a) be denominated in either Dollars or Deutsche Mark, as may be determined by the Borrower; (b) be the equivalent, in Dollars or Deutsche Mark, as the case may be, as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Accounts respective Special Account, of the value of the currency or currencies so withdrawn or paid out on account of the goods, works and services financed out of the proceeds of the Sub-loan for the Export Development Sub-project;

2. Each Export Development Sub-loan shall be charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at such a rate as may be determined by the Borrower on the basis of its assessment of market conditions and risk management;

3. Export Development Sub-loans shall be made on terms whereby the Borrower shall obtain, by written contract with the Beneficiary Enterprise or by other appropriate legal means (an Export Development Sub-loan Agreement), rights adequate to protect the interests of the Bank and the Borrower's interests and those of the Bank and the Guarantor, including the right to:

- (a) require the Beneficiary Enterprise to carry out and operate the facilities financed under the Export Development Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;
- (b) require: (i) that the goods, works and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Annex A to this Schedule; and (ii) that such goods, works and services shall be used exclusively in the carrying out of the Export Development Sub-project;
- (c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and the sites, works, plants and construction

included in the Export Development Sub-project, the operation thereof, and any relevant records and documents;

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

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary Enterprise and to the benefits to be derived from the Export Development Sub-project; and

(f) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the LSub-loan upon failure by such Enterprise to perform its obligations under the Export Development Sub-loan Agreement with the Borrower.

4. The Borrower shall exercise its rights in relation to each Export Development Sub-loan in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Annex A to Schedule 5
to the Loan Agreement Procurement and Consultants'
Services for Export Development Sub-Projects

Section I. Procurement of Goods and Works

Part A: General

Goods and works for Export Development Sub-projects shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January 1996 (the Guidelines), and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works for Export Development Sub-projects shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. Contracts for the procurement of goods, works and services for and works for Export Development Sub-projects estimated to cost the equivalent of less than \$2,000,000 per contract may be awarded in accordance with the established commercial practices of the Beneficiary Enterprise, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts, provided, however, that such commercial practices include obtaining quotations from more than one supplier or contractor.

2. Inotwithstanding the provisions of paragraph 1 of this Part C, in any of the following circumstances, contracts for goods, and works and services for Export Development Sub-projects may be procured from suppliers on the basis of negotiated contractsdirect contracting without competition (single source), pursuant to procedures acceptable to the Bank:

(a) when the equipment and spare parts being procured are of a proprietary nature;

(b) when there is a transfer of technology and licensing situation involved, under which critical parts have to be procured from the licensee, until and unless exempted by the license from such restriction;

(c) when there is a general lead contractor involved forresponsible for the carrying out of an Export Development Sub-project, and where such lead contractor has specified specialized parts as quality/performance preconditions, to the extent

necessary to procure such specialized parts;

(d) when the existing stock of machinery and equipment is predominantly from a single source and new additional equipment and machinery must be compatible with the existing equipment, in the interest of standardization, and efficient performance for purposes of consistency and efficiency with respect to maintenance;

(e) when an existing contract already awarded under the Bank procurement rules would require extension for provision of additional goods, works or services, at the same terms and conditions;

(f) when competitive bidding procedures have failed to produce more than one bid, and a direct contract is necessary; and

(g) when emergency procurement is required, such as in case of critical breakdowns.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) the first five contracts for goods and works to be procured pursuant to the provisions of this Annex; (ii) all contracts procured under Part B of this Annex; and (iii) all contracts for goods and works procured under Part C, paragraph 2 of this Annex and estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services for Export Development Sub-projects shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

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 (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 6

Eligibility, Approval Procedures and Terms and
Conditions of Cost-Sharing EDF Grants

Section I. Eligibility and Approval Procedures

1. When presenting a proposed Export Development TA Sub-project for approval, the Beneficiary Enterprise shall furnish to the Borrower an application, in form satisfactory to the Bank, together with: (i) a description of the Beneficiary Enterprise and the proposed Export Development TA Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Cost-sharing EDF Grant; and (ii) the export development plan of such Beneficiary Enterprise.

2. Applications and requests made pursuant to the provisions of paragraph 1 of this Section shall be presented to the Bank on or before December 31, 2001.

3. Cost-sharing EDF Grants shall be made to Beneficiary Enterprises who each shall have established to the satisfaction of the Borrower that it is a Private Exporter Enterprise (as defined in paragraph 3 of Section I of Schedule 5 to this Agreement).

4. Cost-sharing EDF Grants shall be made for Export Development TA Sub-projects which are consistent with an export development plan approved by the Borrower in accordance with criteria acceptable to the Bank.

5. Cost-sharing EDF Grants shall be made on the condition that the Beneficiary Enterprise shall be obliged to cover at least 50% required to pay for at least fifty percent (50%) of the costs of the Export Development TA Sub-project as a cost-sharing contribution to the carrying out of the Export Development TA Sub-project, in accordance with a methodology and procedures satisfactory to the Bank.

6. No expenditures for an Export Development TA Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Cost-sharing EDF Grant for such sub-project shall have been approved by the Borrower and such expenditures shall have been made not earlier than one hundred twenty (120) days prior to the date on which the Borrower shall have received the application and information required under paragraph 1 of this Section in respect of such Cost-sharing EDF Grant.

Section II. Terms and Conditions of Cost-sharing EDF Grants

1. The amount of a Cost-sharing EDF Grant shall: (a) be denominated in dDollars; (b) be valued as the equivalent, in Dollars as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account B, of the value of the currency so withdrawn or paid out on account of goods and services financed out of the proceeds of the Cost-sharing EDF Grant for the Export Development TA Sub-project; and (c) not exceed a maximum amount of \$250,000 per Beneficiary Enterprise, unless otherwise approved by the Bank.

2. Cost-sharing EDF Grants shall be made on terms whereby the Borrower shall obtain, by written contract with the Beneficiary Enterprise or by other appropriate legal means (the Cost-sharing Grant Agreement), rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Beneficiary Enterprise to carry out the Export Development TA Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Annex A to this Schedule 6; and (ii) that such goods and services shall be used exclusively in the carrying out of the Export Development TA Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites included in the Export Development TA Sub-project, the operation thereof, and any relevant records and documents;

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

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

Export Development TA Sub-project; and

(f) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the Loan upon failure by such Beneficiary Enterprise to perform its obligations under the Cost-sharing Grant Agreement.

3. Each Cost-sharing Grant Agreement shall require that the Beneficiary Enterprise contribute at least fifty percent (50%) of the costs of the Export Development TA Sub-project.

4. The Borrower shall exercise its rights in relation to each Export Development TA Sub-project in such manner as to: (i) protect the interests of the Bank and the Borrower's interests and those of the Bank and the Guarantor; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Annex A to Schedule 6
to the Loan Agreement Procurement and
Consultants' Services for Export
Development TA Sub-Projects

Section I. Procurement of Goods

Part A: Procurement Procedures

1. Contracts for the procurement of goods, works and services for Export Development TA Sub-projects estimated to cost the equivalent of less than \$2,000,000 per contract shall be awarded in accordance with the established commercial practices of the Beneficiary Enterprise, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts.

Part B: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first five contracts for goods, and all contracts proposed to be financed out of the EDF, as well as any contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply. Contracts proposed to be financed out of the EDF, shall be subject to prior review by the Bank, in accordance with such procedures as may be specified from time to time by the Bank.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply. Borrower shall furnish to the Bank, promptly after its signing and prior to delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, one conformed copy of such contract together with such information as the Bank shall reasonably request. Where payments for the contract are to be made out of a Special Account, a copy of the contract, together with the other information required to be furnished to the Bank, shall be furnished to the Bank prior to delivery to the Bank of the first replenishment application in respect of such contract. The Bank shall, if it determines that the award of the contract or the contract itself is not consistent with the Loan Agreement, promptly inform the Borrower and state the reasons for such determination. These provisions shall not apply to contracts on account of which withdrawals from the Loan are to be made on the basis of statements of expenditures, for which case all such documents shall be retained by the Borrower for subsequent examination by independent auditors and Bank supervision missions.

Section II. Employment of Consultants

1. Consultants' services for Export Development TA Sub-projects shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

SCHEDULE 7

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (13) in the case of Special Account A, and Category (3) in the case of Special Account B, such categories being 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, works 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: (i) an amount equivalent to \$6,000,000, to be withdrawn from the Loan Account and deposited into the Special Account A pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$5,000,000; (ii) an amount equivalent to DEM 1,500,000, to be withdrawn from the Loan Account and deposited into the Special Account B pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to DEM 800,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of DEM 2,500,000.

2. Payments out of the respective Special Accounts 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective 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 respective 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 respective 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 respective 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 respective Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.02 (a) (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 respective Special Account;

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories 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 respective 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 respective 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 respective 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 respective 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 respective 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 respective 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.

SCHEDULE 8

Modifications of the General Conditions

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

The words "the Bank may, by notice to the Borrower or the Guarantor terminate

the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph (c) of paragraph 2 of Section I of Schedule 5 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph 2; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

