

CONFORMED COPY

LOAN NUMBER 3597 HU

Loan Agreement

(Health Services and Management Project)

between

REPUBLIC OF HUNGARY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 27, 1993

LOAN NUMBER 3597 HU

LOAN AGREEMENT

AGREEMENT, dated April 27, 1993, between REPUBLIC OF HUNGARY (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:

(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) "CGP" means Close the Gap Program, aimed to launch new initiatives in health promotion and disease prevention and designed to reduce mortality;

(b) "CMO" means the Chief Medical Officer of the Borrower;

(c) "NIC" means National Institute of Cardiology;

(d) "HINFOC" means Health Information Center, Szekszard;

(e) "MOW" means the Borrower's Ministry of Welfare;

(f) "HIF" means Health Insurance Fund;

(g) "MTD" means MOW Medical Technology Department;

(h) "NIHP" means National Institute of Health Promotion;

(i) "NIMR" means National Institute of Medical Rehabilitation;

(j) "NIO" means National Institute of Oncology;

(k) "CSO" means Central Statistical Office;

(l) "PHPU" means Public Health Program Unit;

(m) "PMU" means Project Management Unit within MOW; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of ninety one million dollars (\$91,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Hungary on terms and conditions satisfactory to the

Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in

a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (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 or cause the Project to be carried out through, unless the Bank shall otherwise agree, the respective implementing agencies in accordance with the provision of the Annex to Schedule 5 to this Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial and public health 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 and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section,

records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. For the purposes of cost-containment and to protect the financial viability of HIF, the Borrower shall take all necessary measures through budget caps and other expenditure controls, to ensure that the aggregate of all expenditures on health services financed through HIF for a given year, including performance-related reimbursements for doctors, hospitals and other health care providers, would not exceed the health services budget of HIF for that year (total HIF budget net of cash benefits financed through health insurance).

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the MOW has signed a contract to employ a management consultant firm to strengthen the PMU's project management capacity.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Deputy President or the General Manager of the National Bank 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:

National Bank of Hungary
Department for International Development Institutions
H-1850 Budapest
Szabadsag ter 8-9
Republic of Hungary

Cable address:

Telex:

BANKO
Budapest

227267 SMAFU-H
225755 BANKO-H or

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF HUNGARY

By /s/ Andras Javor
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis
Acting Regional Vice President
Europe and Central Asia

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) Goods, including equipment, computer hardwares and softwares, books, instructional and other materials and furniture	40,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Consultants' services, training and fellowships	26,100,000	100%
(3) CGP	16,600,000	
(a) goods		100% of foreign

expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(b) consultants' services, training and fellowship		100%
(4) Unallocated	8,000,000	
TOTAL	91,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$5,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after July 10, 1992.

4. No withdrawal shall be made in respect of payments made for expenditures under Category (3) unless Hungarian and international members for the Close the Gap Committee for the CGP have been selected on the basis of criteria satisfactory to the Bank, and the first committee meeting has been held.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (1) to improve health status by beginning to close the gap between Hungary and Western European countries and by supporting the Borrower's program of restructuring the health sector to focus on more effective interventions; and (2) to provide more efficient and higher quality care by strengthening the institutional capacity of the health sector in policy making, management and evaluation.

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: Health Services Development

(1) Public Health and Disease Prevention: Carrying out of a program of restructuring and strengthening the health sector by:

(a) strengthening of the National Public Health Center through (i) reorganization, training, and limited information system; and (ii) setting up a CGP;

(b) designing and implementing of specific interventions (including, but not limited to a national anti-smoking campaign, an anti-alcohol campaign) in primary prevention in order to reduce the levels of chronic disease risk factors in the population;

(c) strengthening of chronic disease secondary prevention through an improved cancer registration system and screening;

(d) improvement of school-based health promotion activities through training of teachers, health visitors and primary care doctors working in schools, health education curricula in schools and surveys of the students', teachers' and parents' health related attitudes and behaviors; and

(e) implementing a national health examination survey.

(2) Institutional Care: Strengthening of certain institutions targeted to focus on Hungary's most important health problems by providing diagnostic and therapeutic equipment for:

(a) a national and four regional cardiovascular centers (non-invasive and limited invasive coronary care services);

(b) five selected stroke centers (early detection equipment); and

(c) a national and local rehabilitation service.

Part B: Policy Making and Management.

(1) Public Health and Management Training: Support for the establishment of a School of Public Health and a School of Health Services Management and building up their capacities through provision of training, fellowships, equipment and teaching materials.

(2) Management Support System: Strengthening the management capacity of the health sector by providing policy makers, planners and managers with modern information systems, training and office equipment necessary to gather accurate and up-to-date information on reasons for visits to health facilities, health services outputs and health care expenditures.

(3) Project Management: Strengthening the capacity of the PMU to coordinate projects in the health sector by providing with services of project management consultants, as well as training and equipment needed for these activities.

(4) Preinvestment Study. Assisting in the preparation of preinvestment studies for hospitals and specialist services.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each June 15 and December 15	
beginning December 15, 1998	
through December 15, 2007	4,550,000
and on June 15, 2008	4,550,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

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 the Republic of Hungary 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. Items or groups of items for goods estimated to cost the equivalent \$300,000 or less per contract, not to exceed an aggregate amount equivalent to \$3,900,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures

acceptable to the Bank.

2. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000 equivalent, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three local suppliers in accordance with procedures acceptable to the Bank.

3. Goods and technical items such as books, technical journals, training materials, audio-visual materials, computer applications software, copyrights, translation and reprinting rights for training materials which the Bank agrees: (a) are of proprietary nature; (b) the timely supply thereof is critical for efficient Project execution; or (c) need to be compatible with other installed equipment may be procured through direct negotiations with the proprietors thereof, on terms and conditions acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$500,000 or more, provided, that with respect to the first contracts under each subcomponent estimated to cost the equivalent of \$300,000 or more and all the contracts under Part A (1,a(ii)) of the Project estimated to cost \$300,000 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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist the Borrower in carrying out the project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines).

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

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

SCHEDULE 5

Implementation Program

1. During execution of the Project, the Borrower shall maintain within the MOW the Project Management Unit (PMU) to be headed by a full-time project manager, whose experience and qualifications shall be acceptable to the Bank, and who shall be assisted by competent staff in adequate numbers.

2. The responsibilities and functions of the PMU which has an overall responsibility over Project coordination, shall be, at all times, adequate to assist in and monitor the resource flows to the implementing agencies, and channel major project issues that may arise to the immediate attention of MOW management and external agencies including the Bank, for resolution.

3. The Borrower shall make adequate arrangements for the Project to be implemented by the implementing agencies, who shall be assisted by the respective line departments of the MOW and agencies of the Borrower, all in accordance with the Annex to this Schedule.

4. Not later than June 1, 1993, a new Public Health Program Unit (PHPU) shall be established in the Office of the CMO under direct control of the CMO and shall be maintained to manage the Public Health subcomponent of the Project. The PHPU shall be staffed with a full-time director and a project manager, whose experience and qualifications shall be acceptable to the Bank and who shall be assisted by competent staff in adequate numbers. The PHPU shall liaise with the PMU and collaborate with other implementing agencies.

5. The Borrower shall apply the criteria, guidelines and procedures for awards of grants under the CGP agreed upon with the Bank, and future changes to, or introduction of, new criteria, guidelines and procedures shall be subject to Bank approval prior to their introduction and implementation.

6. Not later than March 31 of each year during the execution of the Project, the Borrower shall furnish to the Bank a technical and financial report, of such coverage, detail, and format as the Bank may reasonably request, on the status of Project implementation (as of December 31 of each year) and review, thereafter with the Bank issues related to the execution of the Project.

7. Not later than December 31, 1996, the Bank will review with the Borrower the progress made in meeting the objectives of the public health strategy and cost containment in the health sector through budget caps and other expenditure controls. The Borrower will take all necessary measures to execute the actions identified and agreed upon between the Bank and the Borrower during such review.

ANNEX TO SCHEDULE 5

Part of the Project	Responsible Line Department/Agency	Implementing Agency
Part A (1) Public Health	Office of the CMO	
Part A (1,a)		Public Health Program Unit (PHPU)
Part A (1,b)		National Institute of Health Promotion (NIHP)

Part A (1,c)		National Institute of Oncology
Part A (1,d)		NIHP
Part A (1,e)		Central Statistical Office (CSO)
Part A (2) Institutional Care	MOW Departments responsible for health policy and medical technology	
Part A (2,a)		National Institute of Cardiology (NIC) and implementing agencies acceptable to the Bank
Part A (2,b)		Stroke Programs within the Health Policy Department of the MOW and other implementing agencies acceptable to the Bank
Part A (2,c)		National Institute of Medical Rehabilitation and local centers/NIC
Part of the Project	Responsible Line Department/Agency	Implementing Agency
Part B Public Health and Management Training	MOW Department of Education	
Part B (1)		Semmelweis Medical University and National Public Health Center
Part B (2)	MOW Information Department	Health Information Center (Hinfoc)Szekszard other implementing agencies acceptable to the Bank
Part B (3)		MOW Project Management Unit (PMU)
Part B (4)		Policy Development Unit of the MOW

SCHEDULE 6
Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this

Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

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

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

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

expenditures.

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

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

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

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

