

CONFORMED COPY

LOAN NUMBER 3198 EGT

(Second Pumping Stations Rehabilitation Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 13, 1991

LOAN NUMBER 3198 EGT

LOAN AGREEMENT

AGREEMENT, dated February 13, 1991, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) part of the technical services and training required under the Project shall be financed under bilateral arrangements concluded between the Borrower and official sources of finance; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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) "Ministry" means the Borrower's Ministry of Public Works and Water Resources;

(b) "MED" means the Mechanical and Electrical Department of the Ministry;

(c) "EPADP" means the Egyptian Public Authority for Drainage Projects of the Borrower; and

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

#### ARTICLE II

##### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty-one million dollars (\$31,000,000), 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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 may, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank to be selected by the Borrower's Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

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

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

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

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

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

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

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

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MED with due diligence and efficiency and in conformity with appropriate engineering, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities,

services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the implementation arrangements set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and 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 nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

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

Section 4.02. The Borrower shall cause the Ministry, in consultation with the Bank, to prepare: (a) by June 30, 1991, a study of the financial aspects related to the operation and maintenance of irrigation and drainage systems; (b) by December 31, 1991, a phased action plan to implement the agreed recommendations of such study; and (c) by December 31, 1991, in accordance with current governmental policy, a phased plan to continue transferring to beneficiaries the operational responsibility for the booster pumps, wells and small lift pumps in the recently reclaimed agricultural land.

#### ARTICLE V

##### Termination

Section 5.01. The date 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 Minister of State for International Cooperation or the First Undersecretary for International Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

##### For the Borrower:

Ministry of International Cooperation  
(International Finance Sector)  
8 Adly Street  
Cairo, Egypt

##### Cable address:

Ministry of International  
Cooperation  
Cairo

##### Telex:

927-23348

##### For the Bank:

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

##### Cable address:

INTBAFRAD  
Washington, D.C.

##### Telex:

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

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

ARAB REPUBLIC OF EGYPT

By /s/ El Sayed Abdel Raouf El Reedy  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ram Kumar Chopra  
Acting Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Supply of equipment (including spare parts) and installation works for pumping stations	25,600,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(2) Workshops, electrical laboratories and other miscellaneous equipment	4,900,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(3) Experts' services and training	25,000	100%
(4) Unallocated	475,000	
Total	<hr/> 31,000,000	

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to enhance agricultural productivity by improving the operation and maintenance of pumping stations and reducing the cost thereof; and (b) to strengthen the capacity of MED.

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: Pumping Stations and Related Facilities

1. Construction of six new pumping stations, expansion of the capacity of three existing pumping stations and replacing nine floating pumping stations in Upper Egypt with land-based ones.
2. Replacement of electro-mechanical equipment in eight pumping stations.
3. A program to repair/replace electro-mechanical equipment in, and to make extensions to, about 25 pumping stations and to replenish their stock of spare parts.
4. Provision of fourteen mobile workshops, electrical laboratories, equipment for central electrical laboratories and workshops, standardized tools and testing instruments for about 200 pumping stations and other miscellaneous equipment.
5. Electrification of cranes, where needed, and provision of new electric cranes and mechanized trash rack cleaning equipment for the pumping stations to be rehabilitated under the Project.
6. Rehabilitation of an existing 80-ton floating dock at Aswan, including replacement of two tug boat engines.
7. Construction/repair of facilities, including workshops, stores and offices.

Part B: Institutional Development

1. Provision of computer equipment and related software for MED's ongoing program for the operation of a management information system.
2. Provision of technical services to support MED's management information system, study and complete a data-base for the operational requirements of the Ministry, strengthen MED's electrical laboratories and monitor the quality of effluent of two pumping stations near Alexandria (El-Max and El-Tabya Stations) and provision of recommendations to minimize the adverse environmental impact of such effluent.
3. Training for MED's managerial, technical, financial and administrative staff.

\* \* \*

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1995	565,000
May 1, 1996	585,000
November 1, 1996	610,000
May 1, 1997	635,000
November 1, 1997	655,000
May 1, 1998	685,000

November 1, 1998	710,000
May 1, 1999	735,000
November 1, 1999	765,000
May 1, 2000	795,000
November 1, 2000	825,000
May 1, 2001	855,000
November 1, 2001	890,000
May 1, 2002	925,000
November 1, 2002	960,000
May 1, 2003	1,000,000
November 1, 2003	1,035,000
May 1, 2004	1,075,000
November 1, 2004	1,120,000
May 1, 2005	1,160,000
November 1, 2005	1,205,000
May 1, 2006	1,255,000
November 1, 2006	1,305,000
May 1, 2007	1,355,000
November 1, 2007	1,405,000
May 1, 2008	1,460,000
November 1, 2008	1,515,000
May 1, 2009	1,575,000
November 1, 2009	1,635,000
May 1, 2010	1,705,000

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

#### Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

#### SCHEDULE 4

Procurement and Experts' Services



## Section I. Procurement of Goods

### Part A: International Competitive Bidding

1. 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 1985 (the Guidelines).

2. Construction and expansion of pumping stations under Part A (1) of the Project shall be carried out under contractual arrangements whereby the suppliers of machinery and equipment shall be also responsible for the execution of related civil works, installation works and commissioning of the facilities upon completion.

### 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 Egypt 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 of equipment and spare parts required under Part A (3) of the Project may be procured: (a) under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof); or (b) when the Bank and the Borrower agree that such items should be compatible with existing equipment, under contracts to be negotiated with the suppliers thereof.

2. Civil works for other than the construction or rehabilitation of pumping stations may be procured under contracts awarded on the basis of competitive bidding procedures advertised locally in accordance with procedures satisfactory to the Bank. In particular, the Borrower shall ensure under such procedures that: (a) representatives of foreign bidders shall be allowed to bid; (b) all bidders shall be treated equally in terms of the requirement of furnishing bid or performance bonds; and (c) bids received after the date stipulated for the submission of bids shall not be considered.

### 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 estimated to cost the equivalent of \$750,000 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.

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

## Section II. Contracting of Experts' Services

Any experts whose services may be contracted to assist the Borrower in the carrying out of the Project shall have qualifications and experience and shall operate under terms of reference satisfactory to the Borrower and the Bank.

### SCHEDULE 5

#### Implementation Arrangements

##### A. Responsibility for Project Implementation

1. MED shall be responsible for the carrying out of the Project, with the assistance of the concerned departments of the Ministry and of EPADP.

2. The Borrower shall ensure that the annual allocations for MED under the general budget shall be sufficient for MED to meet its investment, staffing and operational requirements under the Project.

3. The Borrower shall ensure the establishment of appropriate procedures to enable coordination between MED and the Borrower's Ministry of Industry and other concerned entities in resolving technical issues regarding industrial waste discharged in the areas of the two pumping stations near Alexandria, referred to in Part B (2) of the Project.

4. The Borrower shall ensure that MED will assign to its Directorate for Studies and Specifications technical staff with qualifications and in numbers adequate to enable said Directorate to carry out its responsibilities in the day-to-day management of the Project.

5. The Borrower shall ensure: (a) by December 31, 1991, the establishment within MED, in accordance with an action plan satisfactory to the Borrower and the Bank, of a Central Directorate for technical inspection to undertake periodic inspection of pumping stations; (b) until the establishment of such directorate, the assignment of technical staff to the Technical Office of MED in numbers adequate for the carrying out of such inspection; and (c) the establishment within MED, not later than December 31, 1991, in accordance with an organizational plan satisfactory to the Borrower and the Bank, of a Central Directorate for civil works to be responsible for the design, execution, inspection and maintenance of civil works pertaining to facilities operated by MED.

##### B. Implementation Requirements

1. For the implementation of the program for rehabilitation of pumping stations, referred to in Part A (3) of the Project, MED shall: (a) prepare and furnish to the Bank for its concurrence, starting in the year 1992, two-year work plans specifying the pumping stations to be rehabilitated during each such work plan period, together with the estimated cost and implementation schedule therefor; (b) undertake such rehabilitation in accordance with such work plan, as it may be modified from time to time by the agreement of the Bank and MED; (c) by the end of March in each year, furnish to the Bank, for its comments, an annual report on progress in the carrying out of the work plan in effect, including an estimate of MED's budgetary requirements for the carrying out of works included in the subsequent fiscal year under such work plan and for the operation and maintenance of pumping stations; and (d) prepare its budget for such subsequent year on the basis of such report, taking into account the Bank's comments thereon.

2. The Borrower shall cause MED: (a) to monitor, on a semi-monthly basis for a period starting in May 1990 and extending for two years after the commissioning of the West Treatment Plant for the city of Alexandria, the quality of flow discharged into Lake Maryut from said Plant and study measures for the further treatment thereof; and (b) make arrangements for the carrying out of such measures.

3. The Borrower shall cause MED: (a) to monitor, on a semi-monthly basis and for a period of one year, starting in March 1991, the quality of flow at various discharge points along the Abu-Keir Drain, particularly at points of effluent discharge from the Rakta and National Paper Mills, and study measures for the further treatment thereof; and (b) make arrangements for the carrying out of such measures.

4. The Borrower shall ensure the timely availability of funds required for the carrying out of the measures referred to in paragraphs (2) and (3) above.

5. The Borrower shall cause MED to replace the El-Owania Floating Station, included in Part A (1) of the Project, with a new land-based station, to be constructed, together with the related facilities, not later than December 31, 1992.

6. The Borrower shall take, by December 31, 1991, on the basis of an organizational plan satisfactory to the Borrower and the Bank, all action required to adequately staff the management information service of MED at its central and regional offices.

7. MED and the Bank shall undertake a mid-term review of the Project on the basis of a detailed report on progress in Project implementation which MED shall prepare and furnish to the Bank in June 1994, or such other date as the Borrower and the Bank may agree upon.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

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

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

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

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

amounts as the Borrower shall have requested.

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

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

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

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

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

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

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

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

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to

cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

