

CONFORMED COPY

LOAN NUMBER 3403 MOR

(Agriculture Sector Investment Loan)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 25, 1991

LOAN NUMBER 3403 MOR

LOAN AGREEMENT

AGREEMENT, dated October 25, 1991, between KINGDOM OF MOROCCO (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) 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MARA" means the Borrower's ministry responsible for agriculture (Ministere de l'Agriculture et de la Reforme Agraire);

(b) "ORMVAs" means the Regional Agricultural Development Authorities (Offices Regionaux de Mise en Valeur Agricoles) established and operating pursuant to the Borrower's Law (Dahir) No. 1-74-238 dated April 23, 1975 and Decrees (Decrets) No. 827-66, 828-66, 829-66, 830-66, 831-66, 832-66 and 833-66, each dated October 22, 1966 and No. 2-70-157 dated October 8, 1970, as said Law and Decrees may be amended from time to time; and

(c) "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 fifty million dollars (\$50,000,000), 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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan; and (ii) for amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made by a beneficiary under a grant made under Part C of the Project to meet the reasonable cost of goods and services required for the investment project included in said Part C in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower shall, for the purposes of the Project, open and maintain in a currency and a financial institution acceptable to the Bank, a special deposit account, 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, 1993 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 March 1 and September 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 the Project out with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, technical, agricultural and environmental 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, the Borrower shall take all measures necessary to ensure that the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial 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.

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 Borrower has employed, in accordance with the provisions of Section 3.02 of this Agreement, consultants to assist the Borrower in the carrying out of the study included in Part A (1) (b) of the Project.

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 Minister of 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:

Ministere des Finances
Rabat, Morocco

Cable address:

MINISTERE FINANCES
Rabat-Chella
Morocco

Telex:

32715 M
31936 M

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 (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.

KINGDOM OF MOROCCO

By /s/ Mohammed Belkhat

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pieter P. Bottelier
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) Civil works	8,000,000)	
(2) Reforestation activities under Part B (4) of the Project	3,000,000)	85%
(3) Goods (excluding pesticides)	12,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(4) Consultants' services and training	8,000,000	100%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Grants under Part C of the Project	14,000,000	95% of amounts paid by the Borrower
(6) Unallocated	5,000,000	
TOTAL	50,000,000 =====	

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 on account of payments made for expenditures before that date but after July 1, 1990.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (1) further develop the Borrower's agriculture sector and (2) strengthen the Borrower's institutional capabilities in order to enhance the efficiency and productivity of said sector.

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: Policy Reforms

(1) Carrying out of: (a) a program of measures to improve MARA's budgetary procedures so as to (i) facilitate the timely availability to the Borrower's agencies responsible for implementing MARA's investment program of budgetary resources in adequate amounts for such implementation, and (ii) improve the efficient use of said resources; and (b) a study to develop a program for the further rationalization of said procedures.

(2) Carrying out of a study to strengthen the organization of MARA and the efficient utilization of its human resources.

(3) Application of suitable policies and procedures for the preparation of the Borrower's agricultural investment programs, designed to ensure the further rational development of the agricultural sector.

(4) Development and implementation of a strategy to further strengthen the livestock and dairy sectors, including measures designed to ensure the proper delivery of animal health care services by veterinary doctors and artificial insemination services by suitably qualified private persons and application of a rational milk pricing policy.

(5) Development and carrying out of a program to improve the accounting of water charges owed by users of water delivered through the Borrower's large scale irrigation schemes, so as to facilitate the recovery of said charges and implementation of a suitable program for the recovery of said charges and the elimination of arrears of water charges owed by said users.

Part B: Investment Program

Carrying out of the Borrower's fiscal 1991 and 1992 agricultural investment programs, consisting of the following activities selected in accordance with the policies and procedures developed under Part A (3) of this Schedule:

(1) Construction, rehabilitation and maintenance of small- and medium-scale irrigation schemes, carrying out of research and testing of irrigation equipment to improve such schemes and provision of equipment, materials and training to staff of MARA required therefor.

(2) Construction, rehabilitation and upgrading of large-scale irrigation schemes and restructuring of the organization, and strengthening of the operations, of the ORMVAs, including the provision of management information systems, training to staff of the ORMVAs, equipment and materials required therefor.

(3) Development and carrying out of programs to improve crop

production and diversification, including: (a) land reclamation and development, range development, infrastructure development, land consolidation and restructuring and programs to promote improved crop rotation practices, development of fruit tree plantations, crop storage and agro-industrial activities; (b) a program to enhance the efficient provision of agricultural extension services; and (c) a program to improve pest control, seed and plant quality, and agricultural inputs and outputs quality control; and provision of equipment and materials required for said programs.

(4) Carrying out of a program for the (a) development and management of the Borrower's forestry and other natural resources, (b) protection of its watersheds from erosion and (c) strengthening of the Borrower's institutional capabilities and policies relating thereto, including the provision of equipment and materials required therefor.

(5) Delivery of a suitable program of animal health services, carrying out of an appropriate livestock genetic and nutrition improvement program and implementation of a suitable livestock marketing system; and provision of equipment, materials, veterinary drugs, breeding stock and housing for MARA staff required therefor.

(6) Development and carrying out of agricultural training and research programs and development and utilization of agricultural labor market information systems, including the provision of facilities, equipment and materials required therefor.

(7) Carrying out of a program to update the Borrower's national map and cadastre, including the provision of office facilities and information systems required therefor and carrying out of topographical surveys, all as required to facilitate the carrying out of the Borrower's land consolidation programs.

(8) Carrying out of a program to strengthen the institutional capabilities of MARA in the areas of sectoral planning and policy development, including the construction of office facilities required for the staff of MARA responsible for such planning and policy development.

(9) Carrying out of a study to evaluate the grant program referred to in Part C of this Schedule.

Part C: Agricultural Development Fund

Carrying out of a program to provide grants to farmers and farming enterprises, for specific investment projects, selected on the basis of guidelines satisfactory to the Bank, designed to improve farming techniques applied, and farm technology utilized, by said farmers and enterprises.

* * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 1, 1997	910,000
September 1, 1997	945,000
March 1, 1998	985,000
September 1, 1998	1,020,000
March 1, 1999	1,060,000
September 1, 1999	1,100,000
March 1, 2000	1,145,000
September 1, 2000	1,190,000
March 1, 2001	1,235,000
September 1, 2001	1,285,000

March 1, 2002	1,330,000
September 1, 2002	1,385,000
March 1, 2003	1,435,000
September 1, 2003	1,495,000
March 1, 2004	1,550,000
September 1, 2004	1,610,000
March 1, 2005	1,675,000
September 1, 2005	1,735,000
March 1, 2006	1,805,000
September 1, 2006	1,875,000
March 1, 2007	1,945,000
September 1, 2007	2,020,000
March 1, 2008	2,100,000
September 1, 2008	2,180,000
March 1, 2009	2,265,000
September 1, 2009	2,355,000
March 1, 2010	2,445,000
September 1, 2010	2,540,000
March 1, 2011	2,635,000
September 1, 2011	2,745,000

* 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	0.15
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 Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$400,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A. 1 hereof, goods manufactured in the Kingdom of Morocco 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. Works and reforestation activities estimated to cost the equivalent of \$2,000,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$13,300,000, and goods estimated to cost the equivalent of less than \$400,000 per contract, up to an aggregate amount not to exceed the equivalent of \$5,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Veterinary drugs, regardless of the cost thereof, and goods estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$1,700,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Goods of a proprietary nature may, with the Bank's prior approval, be procured under contracts awarded on the basis of direct negotiations with the suppliers thereof, in accordance with procedures acceptable to the Bank.

4. Small works, up to an aggregate amount not to exceed the equivalent of \$2,200,000, may, with the Bank's prior approval, be carried out under force account by the Borrower's own forces.

5. Goods and services included in Part C of the Project shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and in the case of services, of their quality and the competence of the parties rendering them.

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 the first contract for works, regardless of the cost thereof, the first contract for goods to be awarded in accordance with the procedures referred to in Part C. 1 of this Section I, regardless of the cost thereof, each contract for works estimated to cost the equivalent of \$800,000 or more, and each contract for goods estimated to cost the equivalent of \$500,000 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 sub-paragraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to consultants: (a) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (b) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

In order to ensure the proper implementation of the Project, the Borrower shall take the following actions:

1. The Borrower shall maintain with membership and resources and under terms of reference satisfactory to the Bank:

(a) a Project coordinating committee to be responsible for the overall coordination and supervision of the carrying out of the Project; and

(b) a budget committee to be responsible for the monitoring and evaluation of the implementation of MARA's budget and for the development of suitable measures to improve the efficient implementation thereof.

2. The Borrower shall carry out Parts A and C of the Project in accordance with an action plan agreed between the Borrower and the Bank.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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 \$5,000,000 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.

