

CONFORMED COPY

LOAN NUMBER 3693 KO

(Science and Technical Education Project)

between

REPUBLIC OF KOREA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 16, 1994

LOAN NUMBER 3693 KO

LOAN AGREEMENT

AGREEMENT, dated February 16, 1994, between REPUBLIC OF KOREA (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) "MOE" means the Ministry of Education of the Borrower;

(b) "Education Facilities Bureau" means the Bureau established within MOE responsible for facilities planning, equipment management and coordination of externally financed projects;

(c) "Project Coordinating Committee" means the Committee established with MOE comprising the Director General Education Facilities Bureau, Director General Non-Formal and International Education Bureau, Director General University Education Office and the Director General Science and Technology Education Bureau and co-opted members as required, responsible for policy advice, general oversight and coordination of the Project;

(d) "Participating Institutions" means collectively the Marine Science Departments, the Open Universities and selected Junior Technical Colleges, Vocational High Schools and Universities with Engineering Departments and Natural Science Departments, and the term "Participating Institution" means any one of them;

(e) the term "Marine Science Departments" means any of the marine science departments of the Korea Maritime University, the Mokpo Maritime University, the Pusan National Fisheries University, the Tong-Yeong National Fisheries University, the Yeosu National Fisheries University, the Cheju National University and the Kunsan National University, and the term "Marine Science Department" means any one of them;

(f) "Open Universities" means any of Seoul Industrial University, the Pusan Technical University, the Taejon Technical University, the Samcho Industrial University, the Sangju Industrial University, the Kwangju University, the Kyongbuk Industrial University, the Chongbuk Industrial University, the Anseong Technical University, the Choongju National University, the Ginju National University and the Milyang National University and the term "Open University" means any one of them;

(g) "Universities" means the Universities with Engineering Departments and Natural Science Departments selected pursuant to the provisions of Section 3.03 (a) and paragraph 4 of Schedule 5 to this Agreement;

(h) "Policies and Actions Program" means the Borrower's policies and plans which address relevant issues within the education sector, and the actions and monitorable targets for the implementation of these policies and plans;

(i) "Subsidiary Loan Agreements" means collectively the

agreements to be entered into between the Borrower, through MOE, and the private open Universities, selected private Universities and private Junior Technical Colleges pursuant to Section 3.03 (b) of this Agreement, and "Subsidiary Loans" means collectively the subsidiary loans provided under the Subsidiary Loan Agreements;

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

(k) "KBSC Special Account" means the account referred to in Section 2.02 (c) of this Agreement;

(l) "KBSC" means the Korea Basic Science Center established by the Borrower to provide joint research facilities in basic science to open universities, universities and other research institutions;

(m) "Korea Exchange Bank" means the bank established pursuant to the provisions of the Borrower's Banking Act passed by the Korean Assembly; and

(n) "Won" means the currency of the Borrower.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of ONE HUNDRED NINETY MILLION dollars (\$190,000,000), 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 Korea Exchange Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower shall, for the purposes of the Project, cause KBSC to open and maintain in dollars a special deposit account in Korea Exchange Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the KBSC Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay 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 out Part A of the Project through MOE and Part B of the Project through KBSC, all with due diligence and efficiency and in conformity with appropriate educational, technological, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities,

services and other resources required for the Project; and

(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 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.

Section 3.03. For purposes of carrying out Part A of the Project the Borrower shall, through MOE:

(a) select Universities, Junior Technical Colleges and Vocational High Schools in accordance with the criteria set forth in paragraphs 5, 6 and 7 of Schedule 5 to this Agreement, respectively; and

(b) relend, in dollars, out of the proceeds of the Loan, an aggregate amount not to exceed \$39,000,000, or such other aggregate amount as shall be agreed from time to time between the Borrower and the Bank, to private Universities and private Junior Technical Colleges, each selected pursuant to paragraph (a) of this Section, and to private Open Universities, under subsidiary loan agreements to be entered into between the Borrower and each of such institutions under terms and conditions which shall have been approved by the Bank and which shall include the following principal terms and conditions:

- (i) each Subsidiary Loan shall be repayable over 15 years, including five years' grace; and
- (ii) interest on each Subsidiary Loan shall be payable at a variable rate per annum equal to the rate being paid by the Borrower to the Bank pursuant to Section 2.05 of this Agreement, or such other rate as shall be agreed between the Borrower and the Bank.

Section 3.04. For purposes of carrying out Part A of the Project the Borrower shall, through MOE, make available on a grant basis, out of the proceeds of the Loan, an aggregate amount not to exceed \$131,000,000 equivalent, or such other aggregate amount as shall be agreed from time to time between the Borrower and the Bank, to the Participating Institutions, other than the private Open Universities, private Universities and private Junior Technical Colleges referred to in paragraph (a) above, under terms and conditions which shall have been approved by the Bank.

Section 3.05. For purposes of carrying out Part B of the Project the Borrower shall, through its Ministry of Finance, make available on a grant basis, out of the proceeds of the Loan, the aggregate amount of \$20,000,000 equivalent to KBSC.

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 Part A 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. (a) The Borrower shall, or shall cause KBSC to, maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B of the Project or any part thereof.

(b) The Borrower shall, or shall cause KBSC to:

- (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, or shall cause KBSC to:

- (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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Participating Institutions or for the suspensions of its operations.

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

ARTICLE VI

Effective Date; Termination

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance

Kwachon
Republic of Korea

Cable address: Telex:
 MOF
 Kwachon, Korea K-23243

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 248423 (RCA)
Washington, D.C. 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 KOREA

By /s/ Chung Gi Kim
 Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Callisto E. Madavo
 Acting Regional Vice President
 East Asia and Pacific

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) Equipment for education and research:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 65% of local expen- ditures for other items procured locally
(a) University Engineering Departments	60,000,000	
(b) University Natural Science Departments	45,000,000	
(c) Marine Science Departments	20,000,000	

(d)	Open Universities	15,000,000
(e)	Junior Technical Colleges	10,000,000
(f)	Vocational High Schools	20,000,000
(g)	Korea Basic Science Center	20,000,000
	TOTAL	<u>190,000,000</u> =====

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:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures in respect of Categories 1(a), 1(b), 1(e) and 1(f) of the table in Schedule 1 to this Agreement for a University Engineering Department, a University Natural Science Department, a Junior Technical College and a Vocational High School until such Participating Institution shall have been selected pursuant to the provisions of Section 3.03 (a) of this Agreement; and

(c) expenditures in respect of Categories 1(a), 1(b), 1(d) and 1(e) of the table in Schedule 1 to this Agreement for a private University Engineering Department, a private University Natural Science Department, a private Open University and a private Junior Technical College until such Participating Institution shall have entered into a Subsidiary Loan Agreement pursuant to the provisions of Section 3.03 (b) of this Agreement.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve the quality of education and research of the Participating Institutions, through the implementation of the Borrower's science and technical education Policies and Actions Programs, and the provision of specialized equipment.

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:

Provision of education and research equipment and complementary inputs to upgrade the laboratories and workshops of

the Participating Institutions, other than the Korea Basic Science Center.

PART B:

Construction of new and expansion of existing laboratories for the Korea Basic Science Center, and provision of research equipment, and complementary inputs therefor.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 1 and September 1 beginning September 1, 1999 through September 1, 2008	9,500,000
and on March 1, 2009	9,500,000

* 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

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 1992 (the Guidelines).

2. 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.

3. In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

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 Korea 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 equipment for education and research estimated to cost the equivalent of \$300,000 or less per contract, up to an aggregate amount equivalent to \$23,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items for equipment for education and research estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$11,400,000 may be procured under contracts awarded on the basis of comparison of price

quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures 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 equipment for education and research 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 or paragraph 4 of Schedule 7 to this Agreement, as the case may be.

(b) The provisions of the preceding subparagraph (a) shall not apply to contracts on account of which withdrawals are to be made 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.

SCHEDULE 5

Implementation Program

1. The Borrower shall carry out the Project in accordance with the Policies and Actions Program, satisfactory to the Bank.

2. The Borrower shall maintain the Education Facilities Bureau headed by a qualified officer and assigned with such funds, staffing and resources as shall be required to enable it to adequately undertake the overall responsibility for Project implementation.

3. The Borrower shall maintain the Project Coordinating Committee assigned with the responsibility of establishing adequate coordination in the carrying out of the Project among the various agencies and departments of the Borrower and the Participating Institutions.

4. The Borrower shall cause the Korea Basic Science Center (KBSC) to maintain the Loan Project Implementation Unit headed by a qualified officer and assigned with such funds, staffing and resources as shall be required to enable it to adequately undertake the obligations of KBSC in the carrying out of Part B of the Project.

5. The Borrower shall select Universities to carry out Part A of the Project or parts thereof in accordance with criteria satisfactory to the Bank which shall include the following:

(a) that the University shall have at least three Engineering Departments and three Natural Science Departments with at least three full-time professors in each Department, and with undergraduate programs in operation for at least two years as of March 1994;

(b) the undergraduate enrollment for the academic year 1992-1993 shall have been of at least 160 and 120 students in the Engineering Department and Natural Science Department, respectively, responsible for carrying out Part A of the Project or a part thereof; and

(c) have adopted a five-year undergraduate development plan, satisfactory to the Bank.

6. The Borrower shall select Junior Technical Colleges to carry

out Part A of the Project or parts thereof in accordance with criteria satisfactory to the Bank which shall include the following:

- (a) have at least four Technical Departments, with at least three full-time professors in each Department, and with courses in operation for at least two years as of March 1994;
- (b) the enrollment for the academic year 1992-1993 shall have been of at least 300 students; and
- (c) have adopted a five-year development plan, satisfactory to the Bank.

7. The Borrower shall, through the Offices of Education of MOE, select Vocational High Schools to carry out Part A of the Project or parts thereof in accordance with criteria satisfactory to the Bank which shall include the following:

- (a) level of overall equipment provision in relation to standard requirements;
- (b) equipment needs of newly established departments in existing vocational high schools; and
- (c) equipment needs of newly established vocational high schools.

8. The Borrower shall, through MOE and KBSC, prepare and furnish to the Bank for its review and comments, semi-annual Project progress reports, such Reports to be furnished on March 1 and September 1 of each year, commencing on March 1, 1994.

9. On March 1, 1997, or such other date as the Borrower and the Bank shall otherwise agree, the Borrower shall, in consultation with the Bank, carry out a mid-term review of Project Implementation.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1(a) through 1(f) 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 \$11,300,000 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, 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.

SCHEDULE 7

KBSC Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Category 1(g) 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 \$2,000,000 to be withdrawn from the Loan Account and deposited in the KBSC Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the KBSC 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 KBSC Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the KBSC 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 KBSC Special Account such amount or amounts as the Borrower shall have requested.

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

