

CONFORMED COPY

LOAN NUMBER 7040 POL

Loan Agreement

(Szczecin-Swinoujscie Seaway and Port Modernization Project)
(Port Modernization)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ZARZAD MORSKIEGO PORTU SZCZECIN-SWINOUJSCIE S.A.

Dated December 15, 2000

LOAN NUMBER 7040 POL

LOAN AGREEMENT

AGREEMENT, dated December 15, 2000, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ZARZAD MORSKIEGO PORTU SZCZECIN-SWINOUJSCIE S.A. (Szczecin-Swinoujscie Seaport Authority) (the Borrower).

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

(B) Part B of the Project will be carried out by the Borrower;

(C) by an agreement (the Guarantee Agreement) of even date herewith, between the Republic of Poland (the Guarantor for purposes of this Loan Agreement) and the Bank, the Republic of Poland has agreed to guarantee the obligations of the Borrower in respect of the Loan;

(D) Part A of the Project will be carried out by the Ministry of Transport and Maritime Economy (MTME) of the Republic of Poland, and to

assist in the carrying out thereof, the Republic of Poland and the Bank have entered into a loan agreement (the First Loan Agreement) of even date herewith whereby the Bank has agreed to provide the Republic of Poland with a loan (the First Loan) in the amount of EUR 29,300,000; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999 (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) "Eligible Categories" means category (1) set forth in the table in Schedule 1 to this Agreement;

(b) "Eligible Expenditures" means the expenditures for works referred to in Section 2.02 of this Agreement;

(c) "Environmental Management Plan" means the plan for the Project, satisfactory to the Bank, describing the environmental mitigation, monitoring and institutional measures for the Project, incorporated in the Environmental Assessment for the Project dated January 20, 2000, satisfactory to the Bank;

(d) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement; and

(e) "PIT" means the Project Implementation Team established within 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, an amount equal to eleven million seven hundred thousand Euro (EUR 11,700,000) as such amount may be converted from time to time through a currency conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. 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 works required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any

premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

Section 2.03. The Closing Date shall be June 30, 2005, 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 front-end fee in an amount equal to one hundred seventeen thousand Euro (EUR 117,000). The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty-five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy-five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. 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 Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment and other charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the Principal amount of the Loan in accordance with the provision of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- of (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- from (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan a Variable Rate to a Fixed Rate, or vice versa; and
- of (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower and the Bank hereby agree that unless otherwise notified by the Borrower in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(d) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate engineering, financial, environmental and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

(b) The Borrower shall, until the completion of Part B of the Project: (i) maintain the PIT with staff, facilities and other resources satisfactory to the Bank; (ii) assign to the PIT, under appropriate terms of reference, the technical responsibility for implementation of Part B of the Project and for supervision of the progress thereof; and (iii) cooperate with the Project Implementation Team of MTME for the purpose of Project implementation.

(c) The Borrower shall cause the PIT: (i) to carry out Part B of the Project in accordance with annual implementation plan, to be prepared in consultation with the Bank by December 15 in each year, setting forth the activities to be implemented under Part B of the Project during the year in question, together with the funding requirements and the procurement plan related thereto; (ii) to prepare and to furnish to the Bank quarterly reports on the progress in carrying out Part B of the Project; and (iii) to take all measures necessary to ensure that all activities under Part B of the Project shall be carried out in full compliance with the Environmental Management Plan.

(d) Without limitation upon the provisions of paragraphs (a), (b) and (c) 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 works required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of Part B the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to Part B of the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 (6) months after the end of each such year, with the last report to be furnished not later than six (6) months after the closing date, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one (1) 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 Project Management Reports or 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2001, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- funds
- (i) (A) sets forth actual sources and applications of funds for Part B of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Part B of the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
 - (ii) (A) describes physical progress in implementation of Part B of the Project, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
 - (iii) sets forth the status of procurement under Part B of the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03 (a) Except as the Bank shall otherwise agree, the Borrower shall earn, for each of its fiscal years ending on December 31, an annual return of not less than 5% of the average current net value of the Borrower's fixed assets in operation.

(b) Before December 31 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs in order to meet such requirements.

(d) For the purposes of this Section:

- fiscal
current
operation
year.
- (i) The annual return shall be calculated by dividing the Borrower's cash flow before debt service for the year in question by one half of the sum of the net value of the Borrower's fixed assets in at the beginning and at the end of the fiscal year.
- (ii) The term "cash flow before debt service" means total operating revenues less operating expenses.
- (iii) The term "operating revenues" means revenues from all sources related to operations.
- (iv) The term "operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, excluding depreciation, interest and other charges on debt.
- (v) Depreciation means, depreciation on a straight-line basis at a rate of not less than 4% per annum of the average current gross value of the Borrower's fixed assets in operation, or other basis acceptable to the Bank.
- fixed
of
of
- (vi) The average current gross value of the Borrower's assets in operation shall be calculated as one half the sum of the gross value of the Borrower's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods valuation satisfactory to the Bank.
- of
- (vii) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 4.04. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

(b) For the purposes of this Section:

- Borrower
the date
- (i) The term "debt" means any indebtedness of the maturing by its terms more than one year after on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing such debt or for modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
- (A) the sum of revenues form all sources related to

operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and charges on debt.

other

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

of
in

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues (A) above.

fund
on

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking payments, if any) of, and interest and other charges on debt.

question,
notified the
that no event
which has, or may
have, a
condition or

(vi) The term "reasonable forecast" means a forecast prepared by the Borrower not later than twelve (12) months prior to the incurrence of the debt in which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event which has, or may have, a material adverse effect on the financial condition or future operating results of the Borrower.

prevailing
currency
obtainable for the
the absence of
exchange

(vii) Whenever for the purpose of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the lawful rate of exchange at which such other is, at the time of such valuation, purposes of servicing such debt, or, in such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to the sum of debt and equity shall be greater than 0.50.

(b) For purposes of this Section:

Borrower
after the

(i) The term "debt" means any indebtedness of the maturing by its terms more than one (1) year date on which it is originally incurred.

for
of

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing such debt or for the modification of its terms of payment, on the date, and to the extent, the amount such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into only to the extent that the guaranteed debt is outstanding.

but

unimpaired
of the
liabilities.

(iii) The term "equity" means the sum of the total paid-up capital, retained earnings and reserves Borrower not allocated to cover specific

prevailing
is, at
purposes
such
acceptable to

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the lawful rate of exchange at which such currency the time of such valuation, obtained for the of servicing such debt, or, in the absence of rate, on the basis of a rate of exchange the Bank.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall:

(a) take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) carry on its operations and conduct its affairs in accordance with sound engineering, administrative, financial, and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

ARTICLE VI

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 Chairman of the Board of the Borrower and the Member of the Board of the Borrower appointed as the Project coordinator for Part B of the Project are designated as representatives of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Zarząd Morskiego Portu Szczecin-Swinoujście S.A.
Bytomska 7

PL 70-603
Szczecin
Republic of Poland

Facsimile:
0048-91 462 34 12

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: Facsimile:

INTBAFRAD 248423 (MCI) or 202477-6391
Washington, D.C. 64145 (MCI)

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 City of Warsaw, Republic of Poland, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil G. Kavalsky
Acting Regional Vice President
Europe and Central Asia

ZARZAD MORSKIEGO PORTU
SZCZECIN-SWINOUJSCIE S.A.

By /s/ Andrzej Montwill
/s/ Leszek Bursiak
Authorized Representatives

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in EUR)	% of Expenditures to be Financed
(1) Works	10,520,000	45%
(2) Fee	117,000	Amount due under Section 2.04 of this Agreement

(3)	Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(d) of this Agreement
(4)	Unallocated	1,063,000	
	TOTAL	11,700,000	

2. 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 to: (a) promote Poland's maritime trade; (b) accelerate the development of Szczecin port; and (c) assist in adapting Polish maritime transport practices to European Union standards, through: (i) improving the navigational safety on the seaway connecting the Szczecin-Swinoujscie port with the Baltic Sea; (ii) strengthening the functions of Zarzad Morskiego Portu Szczecin-Swinoujscie S.A.; and (iii) preparing and upgrading the basic infrastructure required by port operators to develop new operational facilities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower under the First Loan Agreement, the Borrower under the Second Loan Agreement and the Bank may agree upon from time to time to achieve such objectives.

Part A: Szczecin-Swinoujscie Seaway

(1) Rebuilding intermediate breakwaters; (2) strengthening banks of parts of the Seaway's canals; (3) establishing a new containment area for contaminated dredged materials; and (4) providing technical assistance to define and implement environmentally sound dredging methods.

Part B: Port of Szczecin-Swinoujscie

(1) Construction of new berthing facilities on the Ostrow Grabowski and Katowicki Peninsula; (2) land leveling and preparation for future cargo handling and storage operations in the above locations; (3) improving road and rail access to investment areas; and (4) bank and slope protection along the banks not to be used for berthing purposes.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount

to be adjusted, as necessary, to deduct any amounts referred to in paragraph 5 of this Schedule, to which a Currency Conversion applies.

Payment Date	Instalment Share (Expressed as a %)
On each June 15 and December 15	
Beginning June 15, 2006 through December 15, 2015	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two (2) months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Procurement of Works

Section A: General

Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Schedule.

Section B: International Competitive Bidding

1. Works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Section B.

Prequalification

Bidders for the works under Part B of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Section C: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works to be procured pursuant to the procedures referred to in Section B above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Section, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

SCHEDULE 5

Implementation Program

1. The Borrower shall:

(a) (i) ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner; and (ii) include adequate information on the carrying out of such measures in the progress reports referred to in Section 3.01 (c) (ii) of this Agreement;

(b) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Bank by September 30, 2002, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

