

CONFORMED COPY

LOAN NUMBER 3541 TU

Loan Agreement

(Employment and Training Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 1, 1993

LOAN NUMBER 3541 TU

LOAN AGREEMENT

AGREEMENT, dated February 1, 1993, between REPUBLIC OF TURKEY (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) "IIBK" means the Turkish Employment Agency of the Borrower's Ministry of Labor, or any successor thereto;

(b) "SIS" means the Borrower's State Institute of Statistics, or any successor thereto;

(c) "MSK" means the Borrower's Occupational Standards Commission, or any successor thereto;

(d) "DSPW" means the Borrower's General Directorate for the Status and Problems of Women, or any successor thereto;

(e) "Project Operations Manual" means the Project Operations Manual of the Borrower dated October 30, 1992, as the same may be amended from time to time with the agreement of the Bank;

(f) "MEKSA" means the Foundation for the Promotion of Vocational Training and Small Industries, a foundation for public benefit established and operating under the laws of the Borrower; and

(g) "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 sixty-seven million dollars (\$67,000,000), 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 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 a freely convertible currency, acceptable to the Bank, a special deposit account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 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 January 1 and July 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 or cause to be carried out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, economic and employment development practices, and shall provide, promptly as needed, the funds, through, inter alia, adequate annual budgetary allocations, facilities, staff, 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 or cause to be carried 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 and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) ensure that 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 or cause to be furnished 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 or cause to be furnished 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

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Undersecretary of Treasury and Foreign Trade 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:

Basbakanlik Hazine Ve
Disticaret Mustesarligi
Inonu Bulvari
Emek/Ankara
Republic of Turkey

Cable address:

MALIYE-HAZINE

Telex:

821-42285 (MLYE-TR) or
821-42689 (ANK-TR)

Rapifax:

90-4-2128737

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.

REPUBLIC OF TURKEY

By /s/ Mahfi Egilmez
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael Wiehen
Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment, vehicles and materials	11,420,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(2) Consultants' services and staff training	19,440,000	100%
(3) Job-insertion and self- employment training	27,000,000	65%
(4) Unallocated	9,140,000	
TOTAL	67,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to promote productive employment through improved labor-market efficiency.

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: IIBK

1. Design and carrying out of a job-insertion and self-employment training program to facilitate the absorption of unemployed workers in productive employment.
2. Development and implementation of a plan for the diversification of employment services with adequate safeguards to protect the interest of job applicants.
3. Design and carrying out of a program to develop and implement: (a) improved (i) employment and counselling services in labor offices, and (ii) counselling services in selected educational institutions; and (b) a plan for the automation of employment services.
4. Provision of technical assistance, staff training, vehicles and equipment and materials to be utilized in the overall coordination and supervision of Project execution and in the carrying out of this Part of the Project.

Part B: SIS

1. Development and carrying out of a program to improve the coverage, quality, timeliness and accessibility of labor market data, including the establishment of a labor-market information data base and the undertaking of research and dissemination of information on labor-market developments and trends.
2. Provision of technical assistance, staff training and equipment and materials to be utilized in the carrying out of this Part of the Project.

Part C:MSK

1. Establishment of a fully operational research and technical service unit to be located within MEKSA and be responsible for coordinating and supervising the development of occupational standards and certification criteria, including the provision therefor of work programs and processes and policies, procedures and facilities for the development of occupational analysis, testing and certification standards.
2. Provision of technical assistance, staff training and equipment and materials to be utilized in the carrying out of this Part of the Project.

Part D: DSPW

1. Development and carrying out of a policy and action research program to document existing situation of women's employment and training, identify the ways and means of improving women's access to productive employment and women's productivity and earnings, and disseminate information to promote women's employment.
2. Provision of technical assistance, seminars and publications and equipment and materials to be utilized in the carrying out of this Part of the Project.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each January 1 and July 1 beginning July 1, 1998 through July 1, 2009	2,790,000
on January 1, 2010	2,830,000

* 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	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$150,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Turkey 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. Equipment and vehicles, other than those to be procured in accordance with the procedures described in Part C.2 hereof, estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Equipment and vehicles estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Books and materials, may be procured under contracts awarded after direct negotiations with suppliers, 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 goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals 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.

Section II. Employment of Consultants

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

SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

A. Overall Project Implementation

1. Overall responsibility for the coordination and supervision of the carrying out of the Project shall be assigned by the Borrower to IIBK. For this purpose and for the purpose of facilitating the efficient carrying out by IIBK of its other activities under the Project, the Borrower shall ensure that IIBK shall maintain a Project coordination unit, with staff and other resources and terms of reference agreed between the Borrower and the Bank.

2. The Borrower shall: (a) ensure that the Project shall be carried out in accordance with the requirements and other details set forth or referred to in the Project Operations Manual; (b) employ or cause to be employed consultants with qualifications, experience and terms of reference, and on the basis of a time schedule, agreed between the Borrower and the Bank, in order to assist in the carrying out of the Project; (c) ensure that duly qualified counterpart staff in adequate numbers are appointed to work with the consultants to be employed under the Project by the time such consultants are so employed; and (d) ensure that the staff training, including fellowship training, under the Project shall be carried out in accordance with programs, including time-schedules for the implementation thereof, and criteria for the selection of candidates thereunder, agreed between the Borrower and the Bank.

B. Part A of the Project

1. (a) Part A (1) of the Project will be carried out by IIBK's branch offices under the coordination of IIBK's Employment and Vocational Rehabilitation Department and on the basis of annual job-insertion and self-employment training plans prepared by each of IIBK's branch offices in accordance with criteria agreed between the Borrower and the Bank.

(b) In order to facilitate the carrying out of Part A (1) of the Project, the Borrower shall ensure that the training thereunder shall be carried out in accordance with annual training plans: (i) prepared by IIBK's branch office; (ii) endorsed by the local employment council, comprising representatives of IIBK, local employers and employees associations, local governmental authorities and the Borrower's Ministry of Education; and (iii) approved by the national employment council, comprising representatives of IIBK, national employers and employees associations and the Borrower's Ministry of Education and Ministry of Tourism.

2. Part A (2) of the Project will be carried out through the General Directorate of IIBK in consultation with a steering committee comprising representatives of IIBK and national employers and employees associations, to be maintained by the Borrower under terms of reference agreed between the Borrower and the Bank. The said steering committee will be responsible for the provision of advice to IIBK in the design and implementation of Part A (2) of the Project and in the carrying out of a study to review and identify alternative strategies for diversifying employment services, including strategies for expanding the role of the private sector in providing such services. The Borrower shall ensure that the said study shall be initiated, by September 1, 1993 and carried out, under terms of reference agreed with the Bank, and a copy thereof is furnished to the Bank promptly upon its completion. The Borrower shall ensure that the results and recommendations of said study are adequately discussed, by September 1, 1994, at a suitable national seminar attended by representatives of the steering committee and other entities concerned with the development and implementation of national development strategies. Thereafter, the Borrower shall, by December 31, 1994, develop and initiate the implementation of a plan

for the phased diversification of employment services on the basis of the conclusions and recommendations of the said study and the Bank's comments thereon, taking into consideration the views of the participants in the said seminar.

3. (a) Part A (3) (a) of the Project will be carried out by IIBK's Employment and Vocational Training Department on the basis of terms of reference agreed between the Borrower and the Bank.

(b) In order to facilitate the carrying out of Part A (3) (a) (i) of the Project, the Borrower shall: (i) ensure that no stipulation of gender preferences shall be included in IIBK's job vacancy listings; (ii) ensure that IIBK shall complete, by December 31, 1993, the staffing of its three in-service training centers in a manner agreed between the Borrower and the Bank and maintain a career information unit, with staff and other resources and terms of reference agreed between the Borrower and the Bank, to be responsible for the development of policies and procedures for employment counseling and job-applicant screening; and (iii) maintain a career information advisory committee, chaired by IIBK and comprising representatives of national employers and employees associations, SIS, the Borrower's Council of Higher Education, and the Borrower's Ministry of Education, to act as a consultative body, under terms of reference agreed between the Borrower and the Bank, on national standards for career information, vocational assessment and career employment counseling.

(c) In order to facilitate the carrying out of Part A (3) (a) (ii) of the Project, the Borrower shall maintain suitable arrangements between the IIBK and the Borrower's Ministry of Education for ensuring efficient cooperation between IIBK and said Ministry in the development and introduction of career guidance counseling in public secondary schools.

(d) Part A (3) (b) of the Project will be carried out by IIBK's Data Processing Department through a specialized automation management team to be maintained by IIBK with staff and other resources and terms of reference agreed between the Borrower and the Bank.

C. Part B of the Project

1. Part B of the Project will be carried out by SIS with the assistance of IIBK under arrangements agreed between the Borrower and the Bank.

2. In order to facilitate the carrying out by SIS of its activities under Part B of the Project, the Borrower shall maintain a labor-market information advisory board, with membership and terms of reference agreed between the Borrower and the Bank, to advise SIS on the design and management of the labor-market information data base to be established by SIS under said Part of the Project.

D. Part C of the Project

1. Part C of the Project will be carried out by MSK under arrangements agreed between the Borrower and the Bank, to be maintained by the Borrower among IIBK, MSK and MEKSA.

2. In order to facilitate the development of suitable occupational standards and certification criteria by the research and technical service unit to be established under said Part of the Project, the Borrower shall maintain an occupational standards commission, comprising representatives of IIBK and national employers and employees associations and with resources and terms of reference agreed between the Borrower and the Bank, to provide policy guidance to, and oversee the performance of, the said unit.

3. In accordance with its objective of improving the operations of MSK and its research and technical service unit, the Borrower shall ensure that: (a) MSK shall carry out, by September 1, 1994, a review, under the terms of reference agreed between the Borrower and

the Bank, of the status and operations of MSK and its said unit with a view towards assessing the feasibility of reorganizing MSK, including its said unit, as fully or partially self-financing foundation by the expected date of the completion of the Project; (b) the results and recommendations of said review are discussed with the Bank promptly upon the completion of said review; and (c) if such review establishes the feasibility of such reorganization of MSK and its said unit, develop and thereafter, implement a plan to so reorganize MSK and its said unit based on the conclusions and recommendations of the said review and the Bank's comments thereon.

E. Part D of the Project

1. Part D of the Project will be carried out by DSPW with the assistance of IIBK under arrangements agreed between the Borrower and the Bank.

2. In order to facilitate the carrying out of Part D of the Project and the achievements of its objectives, the Borrower shall: (i) ensure all such provision of staff and other resources to DSPW as are required for the efficient carrying out of Part D of the Project; and (ii) maintain a research advisory committee, comprising representatives of IIBK, SIS, MEKSA, DSPW, governmental and non-governmental agencies and organizations and other parties interested in the promotion of women's employment, and with resources and terms of reference agreed between the Borrower and the Bank, to advise DSPW in the course of the performance of its activities under Part D of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

