

CONFORMED COPY

CREDIT NUMBER 3038 ALB

Development Credit Agreement

(Private Industry Recovery Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 25, 1998

CREDIT NUMBER 3038 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 25, 1998 between ALBANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has agreed, on the basis, inter alia, of the foregoing, to make available the Credit to the Borrower for the Project upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Albanian Guarantee Agency (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit

Agreements" of the Association, dated January 1, 1985, with the modifications set forth in Schedule 3 to this Agreement (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) "Additional Escrow Account" means the account referred to in paragraph 3 of Part A of Schedule 4 to this Agreement;

(b) "Additional Escrow Amounts" means the amounts generated as interest and other earnings from the deposits in the Escrow Account and includes interest and other earnings generated from the deposits in the Additional Escrow Account;

(c) "Agency Agreement" means the agreement referred to in Section 2.01 (b) (i) of the Project Agreement;

(d) "Agent Bank" means the agent bank of AGA referred to in Section 2.01 (b) (i) of the Project Agreement and includes any successor or successors thereto or assignee thereof acceptable to the Borrower and the Association;

(e) "Albanian Guarantee Agency" or "AGA" means the legal entity established pursuant to the Charter and operating under the laws and regulations of the Borrower, and includes any successor or successors thereto acceptable to the Association;

(f) "Available Amount" means the amount equal to the amount of the Revolving GF Amounts on the First GF Closing Date (as these terms are hereinafter defined);

(g) "Charter" means the Law No. 8267, dated December 19, 1997, establishing AGA as well as the by-laws or other similar instrument of AGA;

(h) "Civil Commotion" means a serious domestic disturbance or series of domestic disturbances, on the territory of Albania, arising from persons or groups of persons acting together with a common objective or purpose, resulting in broadly based turbulence or disorder;

(i) "Committed GF Amounts" means the sum of the Maximum Amount of Guarantee (as such term is defined in the General Conditions of Guarantee included in the Standard Form of Guarantee Contract) under all of the Guarantee Contracts outstanding at any date;

(j) "Covered Risks" means the risks specified in Part A.1 of the Project, as each of these risks is defined in the General Conditions of Guarantee included in the Standard Form of Guarantee Contract and covered by each Guarantee Contract and includes such other similar risks as may be agreed upon from time to time by the Association;

(k) "Escrow Account" means the account referred to in Section 2.03(b) of this Agreement;

(l) "First GF Closing Date" means the date specified in paragraph 2 of Part B of Schedule 4 to this Agreement;

(m) "General Conditions of Guarantee" means the general conditions of guarantee, dated November 21, 1997, applicable to sale of goods, and such other General Conditions of Guarantees as may be agreed from time to time between AGA and the Association;

(n) "Guarantee Contract" means any of the contracts referred to in Section 2.01(b)(ii) of the Project Agreement;

(o) "Guarantee Facility" or "GF" means the guarantee facility provided under Part A.1 of the Project;

(p) "Guarantee Holder" means a natural person or a private juridical person, who, having the risk of loss associated with the financing or the carrying on of a productive activity in Albania, has been issued a Guarantee Contract by AGA in accordance with procedures set forth in paragraphs (a) through (e) of Schedule 2 to the Project Agreement. For the purposes of this paragraph, the term "private juridical person" means an entity, the management and policies of which, including

operating decisions, are not directed by or are not under the direction of, whether through ownership of voting securities, by contract or otherwise, a state, or a political or administrative subdivision thereof, or by any regional, local or other governmental body. Any commercial leasing or finance company acceptable to the Association shall be considered a private juridical person;

(q) "Loss" means the amount denominated in Dollars, payable to the Guarantee Holder upon occurrence of any of the Covered Risks in accordance with the terms and conditions of the Guarantee Contract with such Guarantee Holder;

(r) "MOF" means the Borrower's Ministry of Finance and includes any successor or successors thereto;

(s) "Operations Manual" means AGA's Operations Manual, dated November 21, 1997, as agreed by the Borrower and the Association, which sets out the operating policies and procedures of AGA;

(t) "Payment" means any payment made to a Guarantee Holder by the Agent Bank on account of a Loss;

(u) "Revolving GF Amounts" means the Unwithdrawn GF Amounts that are retained in the Escrow Account following the expiry or termination of Guarantee Contracts and, before the First GF Closing Date, that are used on a revolving basis for the purpose of providing new guarantees under the Guarantee Facility pursuant to paragraph 3 of Part B of Schedule 4 to this Agreement;

(v) "Second GF Closing Date" means the date 180 days following the date on which the last outstanding Guarantee Contract issued under the Guarantee Facility has expired or terminated in accordance with its terms;

(w) "Special Account" means the account referred to in Section 2.04(b) of this Agreement;

(x) "Standard Form of Guarantee Contract" means AGA's Standard Form of Guarantee Contract including the General Conditions of Guarantee, as approved by the Borrower and the Association, which contains all the standard terms and conditions to be included in the Guarantee Contracts;

(y) "Unwithdrawn GF Amounts" means the Committed GF Amounts that remain unwithdrawn in the Escrow Account at the expiry or termination of the Guarantee Contracts covered thereby;

(z) "Unwithdrawn Credit Amount" means the amount of the Credit remaining unwithdrawn in the Credit Account after the First GF Closing Date;

(aa) "War or Civil Disturbance" means acts of war (whether declared or undeclared), revolution, insurrection, civil war or civil strife of a lesser degree, on the territory of Albania, where such acts are undertaken with the primary intent of achieving a political objective. Acts undertaken to further labor, student or other specific interests and acts of terrorism, kidnapping or similar acts directed against the guarantee holder shall not qualify for coverage as civil disturbance; and

(bb) "Withdrawn Credit Amounts" means the amounts withdrawn from the Credit Account and deposited into the Escrow Account, from time to time, for the purpose of providing guarantees under the Guarantee Facility.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million five hundred thousand Special Drawing Rights (SDR 7,500,000).

Section 2.02. The amount of the Credit shall be allocated in accordance with paragraph 1 of Schedule 1 to this Agreement.

Section 2.03. (a) For the purposes of Part A.1 of the Project, the amount of the Credit allocated thereto may be withdrawn from the Credit Account in accordance with the provisions of Part B of Schedule 4 to this Agreement.

(b) The Borrower shall, through AGA, for the purposes of Part A.1 of the Project, open and maintain in Dollars an escrow account in the Agent Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Escrow Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. (a) For the purposes of Part A.3 of the Project, the amount of the Credit allocated thereto may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part A.3 of the Project.

(b) The Borrower shall, through AGA, for the purposes of Part A.3 of the Project, open and maintain in Dollars a special deposit account in the Agent Bank on terms and conditions satisfactory to the Association 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 5 to this Agreement.

Section 2.05. Any Unwithdrawn Credit Amount shall be cancelled by the Association after the First GF Closing Date.

Section 2.06. The Closing Date shall be January 31, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.07. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.08. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.09. Commitment and service charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.10. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing March 15, 2008, and ending September 15, 2037. Each installment to and including the installment payable on September 15, 2017, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after

the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.11. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.12. (a) The Managing Director of AGA, or any person duly authorized by him or her, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.03(a) and 2.04(a) of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts AGA with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications.

### 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: (a) carry out the Project through AGA, with due diligence and efficiency and in conformity with appropriate administrative, financial and insurance practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause AGA to perform in accordance with the provisions of the Project Agreement all the obligations of AGA therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable AGA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance by AGA and with the fulfillment of the objectives of the Project.

Section 3.02. The Borrower shall take all measures necessary on its part to ensure that AGA shall exercise its rights and comply with its obligations under the Agency Agreement and the Guarantee Contracts in such manner as to protect the interests of the Borrower, the Association and AGA and to accomplish the purposes of the Credit.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part A.3 of the Project and to be financed out of the proceeds of the Credit shall be governed by Section 2.02 of the Project Agreement.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the First GF Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with

the Borrower on said plan.

#### ARTICLE IV

##### Particular Covenants

Section 4.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the implementation by the Borrower of Part A of the Project.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the status of implementation of Part A of the Project, in such detail as the Association shall reasonably request.

Section 4.02. Not later than six (6) months prior to the First GF Closing Date, the Borrower shall notify the Association of its intention to implement Part B of the Project.

#### ARTICLE V

##### Financial Covenants

Section 5.01. (a) For all expenditures with respect to Part A.3 of the Project to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) 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 Association shall have reasonably requested, including 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; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 5.02. The Borrower shall:

(a) have the Escrow Account and the Additional Escrow Account for each fiscal year audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) 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 Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Escrow

Account and the Additional Escrow Account and the audit thereof as the Association shall have reasonably requested.

## ARTICLE VI

### Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) AGA shall have failed to perform any of its obligations under the Project Agreement;

(b) AGA or the Agent Bank shall have failed to perform any of their respective obligations under the Agency Agreement;

(c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that AGA will be able to perform its obligations under the Project Agreement or that AGA or the Agent Bank will be able to perform their respective obligations under the Agency Agreement;

(d) the occurrence of War or Civil Disturbance, or Civil Commotion;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AGA, or for the suspension of its operations;

(f) any provision of the Charter shall have been amended, suspended, abrogated, terminated or waived without the prior written consent of the Association;

(g) any material or substantial provision of the Operations Manual shall have been amended without the prior written consent of the Association;

(h) any provision of the Standard Form of Guarantee Contract shall have been amended without the prior written consent of the Association;

(i) any provision of the Agency Agreement shall have been amended, assigned, suspended, abrogated, terminated or waived without the prior written consent of the Association; or

(j) the Agent Bank shall have made a Payment to a Guarantee Holder on behalf of AGA with the funds deposited by the Association into the Escrow Account for that purpose.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraphs (a) or (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any of the events specified in paragraphs (e), (f), (g), (h), (i), or (j) of Section 6.01 of this Agreement shall occur.

## ARTICLE VII

### Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Agency Agreement, acceptable to the Association, has been executed and delivered on behalf of AGA and the Agent Bank.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by AGA and is legally binding upon AGA in accordance with its terms;

(b) that the Agency Agreement has been duly authorized or ratified by AGA and

the Agent Bank and is legally binding upon AGA and the Agent Bank in accordance with its terms; and

(c) that the Guarantee Contracts, when executed and delivered by the respective parties thereto based on the Standard Form of Guarantee Contract, will be legally valid and binding upon the respective parties thereto in accordance with their respective terms.

Section 7.03. 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 VIII

##### Representative of the Borrower; Addresses

Section 8.01. Except as provided in Section 2.12(a) of this Agreement, 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Bulevardi "Deshmoret e Kombit"  
Tirana  
Albania

Telex:

4295 Komplan AB

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
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 Tirana, Albania, as of the day and year first above written.

ALBANIA

By /s/ A. Malaj

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Hartmann

Acting Regional Vice President  
Europe and Central Asia



Withdrawal of the Proceeds of the Credit

1. The table below sets forth the allocation of the amounts of the Credit to each category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Guarantee Facility under Part A.1 of the Project	7,260,000	100% of the initial Maximum Amount of Guarantee included in the Standard Form of Guarantee Contracts
(2) Consultants' services under Part A.3 of the Project	25,000	100%
(3) Goods under Part A.3 of the Project	60,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(4) Operating costs under Part A.3 of the Project	155,000	100% through June 30, 1998; 75% through December 31, 1998; and 50% thereafter
TOTAL	7,500,000	

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;

(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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means the operating costs incurred by AGA on account of staff salaries, office facilities, services, staff travel and consumable office supplies as may be agreed by the Association.

3. The amount of the Credit allocated to Category (1) of paragraph 1 of this Schedule shall be withdrawn in accordance with the provisions of Part B of Schedule 4 to this Agreement.

4. 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.

5. The Association, for the purposes of Part A.3 of the Project, may require withdrawals from the Credit Account to be made on the basis of statements of expenditures.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to facilitate, encourage, and develop, directly or indirectly, its productive capacity and its ability to

attract investment.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Guarantee Facility and Institutional Strengthening

1. Provision of guarantees to Guarantee Holders against the following political and war risks: (a) Inability to Convert and Transfer Currency; (b) Expropriation; (c) Seizure of Goods; Prevention of Sale or Prevention of Export; (d) War or Civil Disturbance; (e) Civil Commotion; (f) Cancellation of Licenses and Restrictions on Import or Export; (g) retroactive Imposition or Increase of Import or Export Taxes; and (h) Interference in the Carriage of Goods.
2. Provision of information and brokerage services to help industrial and commercial enterprises in Albania transact business with foreign partners.
3. Strengthening of AGA through the provision of goods, services, and operating costs, including salaries of AGA staff.

Part B: Unsupported Guarantee Facility

Establishment and operation by AGA of a new guarantee facility, not financed by the Association, on terms and conditions satisfactory to the Association.

\* \* \*

The Project is expected to be completed by July 31, 2006.

SCHEDULE 3

Modifications of General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

- (a) The last sentence of Section 3.02 is deleted;
- (b) The following sentence is added to Section 4.01:

"For the purposes of Part A.1 of the Project, except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the Escrow Account specified in Section 2.03(b) of the Development Credit Agreement.";

- (c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions. Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

- (d) At the end of Section 6.01, following the words "Section 5.02" the words "or in respect of which a Guarantee Contract (as such term is defined in the Development Credit Agreement) has been issued and remains outstanding" are added;

- (e) In Section 6.02, at the end of the first phrase which precedes sub-paragraph (a), ending with the word "Account", the words "with respect to any amount of the Credit which has not been committed under a Guarantee Contract (as such term is defined in the Development Credit Agreement)" are added;

- (f) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with

respect to any amount of the Credit for a continuous period of thirty (30) days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, any Credit Amount shall be canceled. Furthermore, any Unwithdrawn Credit Amount shall be canceled by the Association after the First GF Closing Date.";

(k) Section 9.06 (c) is modified to read:

"(c) Not later than six (6) months after the Second GF Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the implementation of the Project, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(l) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

#### SCHEDULE 4

##### Withdrawals and Escrow Account

###### Part A: General

1. The Escrow Account shall be in the form of an interest bearing account for the purposes of the Project.
2. The Committed GF Amounts shall be used exclusively to make Payments in accordance with the provisions of Part B of this Schedule. After the First GF Closing Date, the Available Amount shall be used exclusively to finance Part B of the Project, subject to the terms and conditions and in accordance with the procedures specified in Part C of this Schedule.
3. The Borrower shall, through AGA, for the purposes of the Additional Escrow Amounts, open and maintain in the Agent Bank, an interest bearing account on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.
4. The Additional Escrow Amounts shall be used exclusively for the purposes of the Project as specified in Part D of this Schedule.
5. The Committed GF Amounts and the Additional Escrow Amounts may, pending utilization as specified in paragraphs 2 and 4 hereof, be used for investments for which prior written approval has been obtained from the Association.

###### Part B: Guarantee Facility

1. After the Association has received evidence satisfactory to it that the Escrow Account has been duly opened, withdrawals of amounts from the Credit Account for deposit in the Escrow Account shall be made as follows:

(a) The Agent Bank, acting on behalf of AGA, shall furnish to the Association, upon receipt of a Guarantee Contract and the payment of the guarantee fee payable thereunder, either a request for a deposit of an amount to cover the initial

Maximum Amount guaranteed thereunder if there are no Revolving GF Amounts available, or a request for a deposit of the balance amount required to cover the initial Maximum Amount guaranteed thereunder if there are insufficient Revolving GF Amounts available. On the basis of such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Escrow Account such amount as the Agent Bank shall have requested.

(b) For each Payment made by the Agent Bank, on behalf of AGA, out of the Escrow Account and/or Additional Escrow Account in accordance with the terms of the Agency Agreement, the Borrower shall cause AGA, at such time as the Association shall reasonably request, to furnish to the Association such documents and other evidence showing that such Payment was made exclusively on account of a Loss.

(c) (i) If the Association shall have determined at any time that any disbursement out of the Escrow Account: (i) was made for other than making a Payment; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) refund to the Association an amount equal to the amount of such Payment or the portion thereof not so eligible or justified; or (B) provide such additional evidence as the Association may request.

(ii) If, based upon the notice provided by the Borrower in accordance with Section 4.02 of this Agreement, the Association shall have determined that the Borrower does not intend to implement Part B of the Project, the Borrower shall, promptly upon notice from the Association, refund to the Association any amount outstanding in the Escrow Account that will not be required to cover further payments.

(iii) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Escrow Account.

(iv) Refunds to the Association made pursuant to sub-paragraphs (c) (i), (ii), and (iii) of this paragraph shall be credited to the Credit Account for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

2. No withdrawals from the Credit Account for deposit in the Escrow Account shall be made after January 31, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

3. Unwithdrawn GF Amounts shall be retained in the Escrow Account and, before the First GF Closing Date, shall be used on a revolving basis for the purpose of providing new guarantees under the Guarantee Facility.

#### Part C: New Guarantee Facility under Part B of the Project

1. Subject to the provisions of paragraphs 2 and 3 of this Part, and, if deemed to be justified by the Association under the circumstances existing at the time, the Borrower shall, for the purposes of financing Part B of the Project, be entitled to obtain the release of the Available Amount after the First GF Closing Date and the balance of the Revolving GF Amounts remaining in the Escrow Account after the Second GF Closing Date.

2. (a) No release of the Available Amount after the First GF Closing Date or the balance of the Revolving GF Amounts after the Second GF Closing Date shall be made from the Escrow Account unless the Association is satisfied: (i) after an exchange of views as described in Section 4.01 of this Agreement based on evidence satisfactory to the Association, with the progress achieved by the Borrower in the implementation of Part A of the Project; (ii) claims pursuant to guarantees under the Guarantee Facility have not exceeded one million Dollars at any time; (iii) there has been no suspension of the Borrower's right to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions at any time for reasons other than War or Civil Disturbance, or Civil Commotion; and (iv) that an acceptable notice has been provided by the Borrower pursuant to Section 4.02 of this Agreement;

(b) if, after the exchange of views pursuant to Section 4.01 of this Agreement, the Association shall have given notice to the Borrower that the progress achieved by the Borrower in the implementation of Part A of the Project is not satisfactory and, within ninety (90) days after such notice, the Borrower shall not

have achieved progress satisfactory to the Association, then the Association may, by notice to the Borrower, require the Available Amount after the First GF Closing Date or the balance remaining in the Escrow Account after the Second GF Closing Date to be refunded to the Credit Account for cancellation;

(c) if the Association shall have determined at any time that any part of the Available Amount, or any part of the Revolving GF Amounts withdrawn under this Part C has been used to make a payment for an expenditure not related to Part B of the Project, the Borrower shall, promptly upon notice from the Association, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation; and

(d) in the case of Part B of the Project, except as the Association shall otherwise agree, the funds made available pursuant hereto shall be used in accordance with terms and conditions and operating procedures acceptable to the Association.

3. The Available Amount or the balance of the Revolving GF Amounts shall only be released by the Agent Bank upon certification by the Association that the provisions of paragraph 2(a) of this Part C have been satisfied.

Part D: Additional Escrow Amounts

1. The Additional Escrow Amounts or any part thereof shall, until the expiry of the First GF Closing Date, be used only for: (a) the provision of guarantees to Guarantee Holders on a revolving basis under the Guarantee Facility; or (b) Payment on account of Losses; or (c) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A.2 and A.3 of the Project. Thereafter, the Additional Escrow Amounts or remaining balance thereof shall be released to the Borrower at the request of the Borrower.

2. Except as the Association shall otherwise agree, procurement of the goods and services required for Parts A.2 and A.3 of the Project and to be financed out of the Additional Escrow Amounts shall be governed by Section 2.02 of the Project Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2), (3) and (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 amount of the Credit 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 \$100,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.04 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 5.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

