

CONFORMED COPY

LOAN NUMBER 3506 GA

Loan Agreement

(Forestry and Environment Project)

between

THE GABONESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 15, 1993

LOAN NUMBER 3506 GA

LOAN AGREEMENT

AGREEMENT, dated January 15, 1993, between THE GABONESE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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 Bank to assist in the financing of the Project;

(B) the Borrower has stated in a letter, dated June 1, 1992, its policies, objectives and program of actions designed to achieve a rational management and conservation of its forest resources, to preserve an ecological balance and to maintain the long-term productive potential of its forest resources (the Forest and Environmental Sector Strategy); 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" 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) "MEF" means the Borrower's Ministry responsible for waters and forests;

(b) "METPN" means the Borrower's Ministry responsible for environment, tourism and national parks;

(c) "DGE" means the Direction Generale de l'Environnement within METPN;

(d) "ENEF" means the Borrower's national school for waters and forests, Ecole Nationale des Eaux et Forcts;

(e) "Project Coordinating Unit" means the unit referred to in Section 3.01 (b) (i) of this Agreement;

(f) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated June 26, 1991 and July 8, 1991 between the Borrower and the Bank;

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

(h) "Project Account" means the account referred to in Section 3.01 (b) (ii) of this Agreement; and

(i) "CFA Franc" or "CFAF" means the Franc de la Communaute Financiere Africaine, the currency of the Borrower.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-two million five hundred thousand dollars (\$22,500,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this

Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in CFA Francs a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent

(1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 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, in accordance with its Forest and Environment Sector Strategy, shall carry out Parts A and E of the Project through MEF and METPN, Part B of the Project through ENEF and Parts C and D of the Project through MEF, with due diligence and efficiency and in conformity with appropriate environmental, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall:

- (i) establish and maintain a Project Coordinating Unit within MEF headed by a Project coordinator and staffed with a forest management specialist (employed in accordance with the provisions of Section II of Schedule 4 to this Agreement), a forest engineer, a financial controller, an accountant and support staff in adequate numbers, the said Unit to have the overall responsibility for the supervision and monitoring of the execution of the Project and the coordination of activities of the Borrower's relevant ministries and agencies under the Project; and
- (ii) for the purposes of making available its contribution to the Project, open and maintain a Project Account in a local commercial bank, make an initial deposit of CFA Francs one hundred fifty million (CFAF 150,000,000) and replenish said account at least on a quarterly basis or whenever its balance shall be less than CFA Francs ten million (CFAF 10,000,000), up to the amount of the initial deposit.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works 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.

Section 3.03. For the purposes of the execution of the Project, the Borrower shall, through the Project Coordinating Unit, beginning November 30, 1992 and thereafter not later than September

30 of each year, furnish to the Bank, for its review and approval, in respect of the forthcoming year, detailed work programs and budgets.

Section 3.04. The Borrower shall, by June 30, 1995, carry out jointly with the Bank a midterm review of the Project and soon thereafter shall implement the recommendations of such a review. In order to facilitate this review, the Borrower shall, through the Project Coordinating Unit, prepare and furnish to the Bank, not later than four weeks before the scheduled date of this review, a report of Project activities of such scope and in such detail as the Bank shall have reasonably requested. The review shall cover inter alia: (a) policy actions on fiscal and environmental legislation under the Forest and Environment Sector Strategy; (b) status of studies under Part A.4 of the Project and proposed timetable for the implementation of their recommendations; (c) status of the forest rehabilitation program; (d) progress in the redeployment of MEF field staff; (e) evaluation of consultants' performance; and (f) overall Project performance against established and agreed key performance indicators.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Upon completion of the study of the Borrower's forest fiscal system, not later than March 31, 1993, the Borrower shall forward a copy thereof to the Bank, for its review and comments, and thereafter shall take all necessary legislative and regulatory measures required to implement, as soon as possible, such recommendations of said study as agreed between the Borrower and the Bank.

Section 4.03. The Borrower shall: (a) carry out its National and Environmental Action Plan (NEAP) with due diligence and efficiency; and (b) upon its completion, not later than June 30, 1993, forward a copy thereof to the Bank, for its review and comments, and soon thereafter implement such recommendations of said NEAP as agreed between the Borrower and the Bank.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Project Coordinating Unit has been established and its Project coordinator has assumed his functions;
- (b) the Project Account has been opened and the initial deposit of CFA Francs one hundred fifty million (CFAF 150,000,000) thereinto has been made;
- (c) the Borrower has adopted and promulgated its Environmental Law (Loi Relative la Protection et l'Amelioration de l'Environnement);
- (d) the Bank has received from the Borrower a staffing plan, resulting from MEF restructuring, and including a timetable for field staff redeployment, all satisfactory to the Bank;
- (e) the Arrcte setting aside the area to be rehabilitated under Part D.1 of the Project has been signed; and
- (f) the following decrees in furtherance of the Borrower's Law No. 1/82 have been signed: (i) decree definissant les zones d'exploitation foresticre; and (ii) decree definissant les clauses des cahiers des charges fixant les rcgles generales et particulicres de l'exploitation foresticre.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister responsible for planning, economy and territorial development 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:

Ministcre de la Planification, de l'Economie  
et de l'Amenagement du Territoire  
B.P. 172  
Libreville  
Gabon

Cable address:	Telex:
GOPLAN Libreville	5370 GO

With copy to:

Caisse Autonome d'Amortissement  
B.P. 912  
Libreville  
Gabon

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:
INTBAFRAD Washington, D.C.	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.

THE GABONESE REPUBLIC

By /s/ Guy Marcel Eboumy  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Olivier Lafourcade  
Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	2,000,000	80%
(2) Vehicles and equipment	6,000,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services:		100%
(a) for Part D of the Project	4,500,000	
(b) for other Parts of the Project, including studies	4,300,000	
(4) Fellowships and training	2,000,000	100%
(5) Operating costs	1,100,000	70% through December 31, 1993, 50% through December 31, 1995, and 10% thereafter

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,300,000	
TOTAL	22,500,000 =====	

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 the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means mission travel and subsistence allowances for local and expatriate staff involved in the Project, operation and maintenance of Project vehicles and equipment, and office supplies.

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 objectives of the Project are: (i) to contribute to a better use of the Borrower's forestry resources; (ii) to reinforce the strategic planning and operational capacity of the Borrower's forestry and environmental institutions; (iii) to resume forestry and environment research activities; (iv) to make forestry and environment training more practical and tailored to the needs of the private sector and to conservation needs; and (v) to support the creation and maintenance of wildlife reserves.

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: Institutional Strengthening

1. Restructuring of MEF to streamline and better define the functions of its directorates and to increase its operational, planning and monitoring capacity and its presence in the field, including the provision of consultants' services, the construction and/or rehabilitation of MEF's headquarters and offices and staff housing in regional services, and the acquisition of vehicles and office equipment.
2. Strengthening of DGE to increase its operational, planning and monitoring capacity, including the provision of consultants' services and the acquisition of vehicles and office equipment.
3. Training of MEF's and METPN's staff.
4. Support to local environmental assessment efforts and to sensitization of local communities on environment issues, including the organization of seminars and workshops and the publication of environmental documents.
5. Carrying out of studies, including a feasibility study for the protection of fifteen recommended ecological zones, and a study, and its periodic updating, on the state of the Gabonese environment.

#### Part B: Forestry and Environment Training

1. Establishment of a revised training program at ENEF so as to increase its relevance to employment and productivity in the private sector.
2. Implementation of a management and conservation plan for the Mondah Forest, including the provision of consultants' services and fellowships, the acquisition of vehicles and equipment, and the construction of, and equipment for, a small sawmill.

#### Part C: Forestry and Environment Research

1. Genetic improvement of okoume trees.
2. Silvicultural operations on natural forest and plantations with a view of bringing about durable and rational management of forest resources.
3. Rationalizing agricultural production systems around plantation sites through agro-forestry techniques.
4. Designing and compiling a forest dendrology manual, and the provision of equipment to ensure the conservation of the collection of plant species of the National Arboretum.

#### Part D: Forest Inventory and Rehabilitation

1. Preparation and implementation of a management plan, over a five-year period, for a pilot area of about 40,000 ha of natural

okoume stands, identified from an area of about 275,000 ha around the village of Foulenzem through a ground inventory at six percent sample density, including the carrying out of silvicultural operations and of a faunal and floral inventory, the provision of consultants' services, the construction of offices and housing for staff and trainees at Foulenzem and the acquisition of vehicles and equipment.

2. Rehabilitation of an approximate area between 5,000 and 6,000 ha of salvageable artificial okoume stands, inventoried mainly in the Bokoue, Mvoum, Mbine and Haut-Como regions, through silvicultural, weeding, maintenance and thinning operations and the rehabilitation of existing access roads, including the provision of consultants' services and the acquisition of vehicles and equipment.

Part E: Creation and Maintenance of Reserves

Creation and maintenance of reserves at Moukalaba and Sette-Cama, within an area of about 800,000 ha of forest land, including the carrying out of mapping and surveys, the construction of perimeter tracks and markers, the construction and/or rehabilitation of offices and staff housing, the provision of consultants' services and the acquisition of vehicles and equipment.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1998 through September 15, 2007	1,125,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:

Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

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

2. To the extent practicable, contracts for goods shall be grouped into bid packages on an annual basis.

##### 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 Gabonese Republic 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. Forest inventories and rehabilitation under Part D of the Project, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list, acceptable to the Bank, of qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraph 2.8, 2.9, 2.55 and 2.56 thereof).

2. Items or groups of items for goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$200,000, and civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Items or groups of items for goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

##### 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 estimated to cost the equivalent of \$100,000 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 5 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

In order to assist the Borrower in carrying out the Project, the Borrower shall employ 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

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Loan 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 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 paragraph 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.

