

CONFORMED COPY

LOAN NUMBER 2901-1 TU

(Industrial Export Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SINAI YATIRIM VE KREDI BANKASI

Dated January 25, 1988

LOAN NUMBER 2901-1 TU

LOAN AGREEMENT

AGREEMENT, dated January 25, 1988, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and SINAI YATIRIM VE KREDI BANKASI (the Borrower).

WHEREAS (A) Republic of Turkey (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 1 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) for the implementation of the same Project, the Bank has agreed: (i) to extend a loan to the Guarantor, under an agreement (the Government Loan Agreement) of even date herewith between the Bank and the Guarantor; and (ii) to extend a loan to Turkiye Sinai Kalkinma Bankasi (TSKB) of the Guarantor under an agreement (TSKB Loan Agreement) of even date herewith between the Bank and TSKB;

(C) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of each of the Borrower and

TSKB in respect of its Loan; 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 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) "Sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project;

(b) "free-limit Sub-loan" means a Sub-loan, as so defined, made or proposed to be made in an amount not exceeding the equivalent of \$2,500,000 when added to any other outstanding amounts provided or proposed to be provided out of the proceeds of the Loan for the same Investment Project; the foregoing amount being subject to change from time to time as may be agreed between the Borrower and the Bank;

(c) "Investment Enterprise" means an export oriented enterprise to which the Borrower proposes to make or has made a Sub-loan;

(d) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(e) "Statutes" means the Statutes of the Borrower, dated March 16, 1963, as amended from time to time;

(f) "Statement of Policy" means the statement of policy approved by the Board of Directors of the Borrower on January 15, 1979, as amended from time to time;

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

(h) "TL" and "Turkish Lira" means the currency of the Guarantor;

(i) "FERIS" means the Foreign Exchange Risk Insurance Scheme, operated by the Central Bank of the Guarantor pursuant to Decree No. 31, dated March 27, 1985, as amended to the date of this Agreement;

(j) "IGEME" means the Export Promotion Center, operating under the Guarantor's Undersecretariat of Treasury and Foreign Trade;

(k) "Subsidiary" means any company of which the majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Borrower or by one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries; and

(l) "TURK EX-IM Bank" means the Export Credit Bank of

Turkey.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to fifty million dollars (\$50,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by an Investment Enterprise under a Sub-loan or Investment to meet 100% of foreign expenditures and 60% of local expenditures for goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested; provided, however, that no withdrawal shall be made: (i) in respect of a Sub-loan not made in accordance with the provisions of Schedule 4 to this Agreement; and (ii) in respect of payments made for expenditures prior to the date of this Agreement.

(b) For the purpose of paragraph (a) of this Section: (i) the term "foreign expenditures" means expenditures in any currency other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and (ii) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

(c) The Borrower shall, for the purposes of Part A of the Project, open and maintain in dollars a special account in the Central Bank of the Guarantor 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 per annum for each Interest Period equal to one-half of one percent ($1/2$ of 1%) per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 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 2 to this Agreement, as such Schedule 2 shall be amended from time to time by the Bank to the extent required to:

(a) conform in relevant part substantially to the aggregate of the amortization schedules applicable to Sub-loans; and

(b) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section 2.08 of this Agreement; provided that any such amendments to the amortization schedule permitted hereunder shall not authorize repayments of the principal amount of the Loan beyond the latest repayment date set forth in such Schedule 2. Such amendments of said Schedule 2 shall include amendments to the table of premiums on prepayments, if necessary.

Section 2.08. Unless the Bank and the Borrower shall otherwise agree:

(a) If a Sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a Sub-loan or any part thereof shall be sold, transferred, assigned or otherwise disposed of for value by the Borrower, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 3 to this Agreement or in any amendment thereof under Section 2.07 (a) of this Agreement, the amount withdrawn from the Loan Account in respect of such Sub-loan or part thereof and not theretofore repaid to the Bank.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the Loan in amounts corresponding to the outstanding amounts of the maturity or maturities of the Sub-loan so repaid or disposed of.

(c) Paragraph (b) of Section 3.04 of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

ARTICLE III

Execution of the Project; Management and Operations of the Borrower

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 1 to this Agreement, and, to this end, shall carry out its activities under Part A of the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the Statutes and the Statement of Policy.

Section 3.02. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, Sub-loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement.

(b) The Borrower shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.03. The Borrower shall furnish to the Bank semi-annual reports, prepared on the basis of a format satisfactory to the Bank, on the status of the Borrower's operation and finance, including a projection of its financial situation, a description

of its operational targets and an assessment of progress in utilizing the proceeds of the Loan.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain procedures and records adequate to monitor and record the progress of its activities under Part A of the Project and of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.02. (a) The Borrower shall:

- (i) have the records referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and records and accounts for the Special Account for each fiscal year audited in accordance with sound 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 five months after the end of each such year, (A) certified copies of said financial statements for such year as so audited and (B) 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 the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(b) 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, in accordance with Section 4.01 of this Agreement, 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 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 (a) 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, support the related withdrawals.

Section 4.03. The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risks of loss resulting from changes in the rates of exchange between the currencies used in its operations.

Section 4.04. Except as the Bank shall otherwise agree, the

Borrower shall: (a) conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, starting in April 1, 1988, its debt/equity ratio and its debt coverage ratio within the limits referred to in Sections 4.05 and 4.06 of this Agreement, respectively; and (b) if any such ratio shall, for reasons beyond the Borrower's control, be exceeded, promptly take all such reasonable action as shall be necessary or advisable to bring such ratio within such limit.

Section 4.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur or permit any Subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of the Borrower and all its Subsidiaries then incurred and outstanding would exceed ten times the consolidated capital and surplus of the Borrower and all its Subsidiaries.

(b) For the purposes of this Section:

- (i) the term "debt" means any debt incurred by the Borrower or any Subsidiary maturing more than one year after the date on which it is originally incurred, including debt assumed or guaranteed by the Borrower or by a Subsidiary;
- (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent the guaranteed debt is outstanding;
- (iii) the term "consolidated debt of the Borrower and all its Subsidiaries" means the total amount of debt of the Borrower and all its Subsidiaries, including any debt owed by the Borrower to its shareholders, but excluding any debt owed by the Borrower to any Subsidiary or by any Subsidiary to the Borrower or to any other Subsidiary;
- (iv) the term "consolidated capital and surplus of the Borrower and all its Subsidiaries" means the aggregate of the total unimpaired paid-in-capital, surplus and free reserves (including the revaluation fund, if any) of and subordinated loans to the Borrower and all its Subsidiaries after excluding therefrom such amounts as shall represent equity interests of the Borrower in any Subsidiary, or any such Subsidiary in the Borrower or in any other Subsidiary;
- (v) the term "subordinated loan" means any debt to mature after the maturity of any debt outstanding from time to time from creditors other than shareholders of the Borrower and its Subsidiaries, such debt to be repaid in accordance with its terms only after all claims from such creditors have been satisfied;
- (vi) whenever for purposes of this Section it shall be necessary to value in terms of Turkish Lira debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank; and

- (vii) amounts payable to the Borrower under any foreign exchange risk coverage scheme of the Guarantor or under currency swap arrangements shall be deducted in calculating the amount of the Borrower's debt.

Section 4.06. Except as the Bank shall otherwise agree, the Borrower shall maintain a debt service coverage ratio of not less than 1.1. Such ratio shall be calculated by dividing the sum of the Borrower's net income after tax, interest payments adjusted for taxes, provisions for losses and loan collections by the sum of the Borrower's repayments of debt and payments of interest, adjusted for taxes.

Section 4.07. Except as the Bank shall otherwise agree, the Borrower shall not make any repayment in advance of maturity in respect of any of its debt which, in the judgment of the Bank, would materially affect the Borrower's ability to meet its financial obligations.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified:

(a) any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable;

(b) a change shall have been made in the Statutes or in the Statement of Policy without the Bank's consent; and

(c) a Subsidiary or any other entity shall have been created or acquired or taken over by the Borrower, if such creation, acquisition or taking over would adversely affect the conduct or the efficiency of the Borrower's business or financial condition or the efficiency of the Borrower's management and personnel or the carrying out of the Project.

Section 5.02. For the purposes of Section 7.01 of the General Conditions the following additional events are specified:

(a) the event specified in paragraph (a) or paragraph (b) of Section 5.01 shall occur; and

(b) the event specified in paragraph (c) of Section 5.01 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Government Loan Agreement and the TSKB Loan Agreement, except for the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purpose of Section 12.04 of the General Conditions.

ARTICLE VII

Miscellaneous

Section 7.01. The General Manager of the Borrower is

designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the 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:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

For the Borrower:

Sinai Yatirim Ve Kredi Bankasi
Barbaros Bulvari 41
Besiktas, Istanbul, 80690
Turkey

Cable address:

YATIRIMBANK
Istanbul

Telex:

SYKB 26263 TR

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Hans-Eberhard Kopp
Acting Regional Vice President
Europe, Middle East and North Africa

SINAI YATIRIM VE KREDI BANKASI

By /s/ Hikmet Ulugbay
Authorized Representative

SCHEDULE 1

Description of the Project

The objectives of the Project are: (a) to assist the Guarantor in its efforts to expand export through the financing of investments in private, export oriented industries in areas when Turkey has a comparative advantage, the provision of increased incentives for such investments and the improvement of the institutional and procedural framework for export finance; (b) to strengthen the role of IGEME in the promotion of export; (c) to assist the Borrower and TSKB in their operation diversification efforts; and (d) to support TSKB in the implementation of its financial restructuring program.

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

Part A: Credit

Provision of credit, in accordance with the provisions of this Agreement, for financing fixed investments and permanent working capital needs of export oriented projects.

Part B: IGEME

Implementation, with the assistance of advisers, in accordance with the provisions of the Government Loan Agreement, of a program to strengthen the role of IGEME in the promotion of export, including the restructuring of IGEME's management and the training of its staff.

Part C: TURK EX-IM Bank

Implementation by the TURK EX-IM Bank, with the assistance of advisers, as necessary, of a program: (a) to develop appropriate procedures for the provision of medium- and long-term export finance and the operation of export guarantee and insurance programs, including the training of staff on the implementation of such program; and (b) to adopt and operate a trade information system.

Part D: Study

A study of the credit delivery systems for industrial investments.

* * * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 2

Amortization Schedule*

Date Payment Due	Payment of Principal (expressed in dollars)**
On each April 15 and October 15	
beginning October 15, 1992 through October 15, 2004	1,925,000
On April 15, 2005	1,875,000

* The Amortization Schedule is subject to amendment pursuant to the provisions of Section 2.07 of the Loan Agreement.

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

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of

prepayment multiplied by:

Not more than three before maturity	.18
More than three years but not more than six years before maturity	.35
More than six years but not more than eleven years before maturity	.65
More than eleven years but not more than fifteen years before maturity	.88
More than fifteen years before maturity	1.00

SCHEDULE 3

Modifications of the General Conditions

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

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 5 (e) of Schedule 4 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests. The Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 4

Procedures for and Terms and Conditions of Sub-loans

1. Except as the Bank may otherwise agree, Sub-loans shall be provided only to Investment Enterprises the majority share capital of each is not held, individually or collectively, by the Guarantor, including its political or administrative divisions, or by economic enterprises the majority shares of which are held by the Guarantor.

2. Except as the Bank shall otherwise agree, the amount of a Sub-loan or Sub-loans provided for the financing of a single Investment Project from the proceeds of the Loan, the TSKB Loan and the Government Loan shall not exceed in the aggregate the equivalent of \$15,000,000.

3. Except as the Bank shall otherwise agree, the Borrower shall:
(a) charge on each Sub-loan denominated in foreign currency (i) interest on the principal amount of the Sub-loan withdrawn and outstanding at a floating annual rate which shall exceed by not

more than four percentage points the interest rate applicable to the Loan pursuant to Section 2.05 of this Agreement, and (ii) a commitment on the unwithdrawn amount of the Sub-loan at the rate specified in Section 2.04 of this Agreement; and (b) charge on each Sub-loan denominated in Turkish Lira (i) interest on the amount of the Sub-loan withdrawn and outstanding at a fixed or floating rate, at the option of the Investment Enterprise, to be determined in either case in accordance with the rules and procedures prescribed in the FERIS, and (ii) a commission fee on the amount of the Sub-loan withdrawn and outstanding at the rate of 2% per annum.

4. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Bank and, except as the Bank shall otherwise agree, such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 5 (a) and (c) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 5 (b) and (c) of this Schedule in respect of such free-limit Sub-loan.

5. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; (iii) whenever relevant, a statement as to the environmental impact of the Investment Project and, when necessary, the remedial action to be taken in this respect; and (iv) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor; and (iii) whenever relevant, a statement as to the environmental impact of the Investment Project and, when necessary, the remedial action to be taken in this respect.

(c) Each request to be made by the Borrower pursuant to subparagraphs (a) and (b) of this paragraph shall contain an export plan demonstrating to the satisfaction of the Bank: (i) with respect to any Investment Project undertaken for the expansion of existing facilities, that not less than 20% of the incremental production or services of such Investment Project would be exported within three years from the start of its operation; (ii) with respect to the establishment of a new Investment Enterprise, that not less than 20% of the products or services of such Enterprise would be exported within five years from the start of its operation; and (iii) with respect to an Investment Project for the balancing or modernization or rehabilitation of existing facilities, that the Investment Enterprise requesting the Sub-loan is currently exporting not less than 20% of its products or services. An indirect exporter shall be eligible for a Sub-loan when it is established in the export plan that such indirect exporter is currently selling not less than 20% of its products to

exporters eligible under this paragraph or that not less than 20% of the incremental production resulting from its expansion under an Investment Project is expected to be sold to such exporters.

(d) The Borrower shall calculate the economic and financial rates of return for any Investment Project, and shall require, as a condition for providing a Sub-loan for the financing of such Investment Project, an economic rate of return of not less than 15%, and a financial rate of return of not less than 15%, measured after adjustment for inflation, throughout the useful life of the Investment Project, in accordance with the Wholesale Price Index of the Guarantor.

(e) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before December 31, 1990.

6. Sub-loans shall be made on terms whereby the Borrower shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them; (ii) the procurement of goods or works under contracts estimated each to cost the equivalent of \$2,500,000 or more shall be undertaken under procedures for limited international bidding satisfactory to the Borrower; and (iii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Investment Projects and to be financed out of the proceeds of the Loan in accordance with the provisions of Section 2.02 (a) of this Agreement, provided, however, that notwithstanding the provisions of paragraph 4 (b) of Schedule 4 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(b) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank for crediting to the Loan Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

