

CONFORMED COPY

LOAN NUMBER 3275 JM

(Road Infrastructure Planning and Maintenance Project)

between

JAMAICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 12, 1990

LOAN NUMBER 3275 JM

LOAN AGREEMENT

AGREEMENT, dated December 12, 1990, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; 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 last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Central Bank" means the Borrower's Bank of Jamaica;
- (b) "Eligible Investments" means works of the Road Infrastructure Investment Program which have been approved by the Bank for financing under the Loan;
- (c) "Jamaican dollars" or "J\$" means the Borrower's currency;
- (d) "MOC(W)" means the Borrower's Ministry of Construction (Works);
- (e) "National Road Transport Sector" means all activities pertaining to the movement by roads throughout the Borrower's territory of people and goods including, without limitation, planning, design, construction, acquisition, operation and maintenance of all road transportation infrastructure, equipment, material, facilities and operational systems;
- (f) "Road Infrastructure Investment Program" means the Borrower's five-year road infrastructure investment program furnished by the Borrower and agreed to by the Bank on October 10, 1990, as updated from time to time; and
- (g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty-five million dollars (\$35,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project 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 dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 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 per cent (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 May 15 and November 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.

Section 2.08. MOC(W) 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 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOC(W) with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, 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. The Borrower shall:

(a) at all times cause its: (i) public roads network to be maintained and all necessary repairs thereof to be made, all in accordance with appropriate practices; and (ii) road maintenance equipment to be maintained and all necessary repairs, renewals and replacements thereof to be made, all in accordance with appropriate economic and engineering practices;

(b) make available, promptly as needed, all funds (making the corresponding annual budgetary appropriations), facilities, services and other resources required for the above purposes; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall: (i) provide in its annual budget, and make available promptly as needed, in J\$ equivalent, as counterpart funds for road maintenance under its Road Infrastructure Investment Program each fiscal year, until completion of the Project, a minimum of: (A) \$20,000,000 for fiscal year 1991/1992; (B) \$21,000,000 for fiscal year 1992/1993; (C) \$22,000,000 for fiscal year 1993/1994; (D) \$23,000,000 for fiscal year 1994/1995; and (E) \$24,000,000 for fiscal year 1995/1996; and (ii) within thirty days after the date such budget is approved each fiscal year, furnish to the Bank such budget showing the amounts stipulated above.

Section 3.04. The Borrower shall:

(a) not later than October 31 of each fiscal year, furnish to the Bank the proposed annual update of the Road Infrastructure Investment Program including Eligible Investments, which shall be satisfactory to the Bank;

(b) from time to time advise the Bank of any additions or modifications to the Road Infrastructure Investment Program as they shall occur during the course of the fiscal year; and

(c) not later than November 30 of each fiscal year, review with the Bank and all the cofinanciers of the Road Infrastructure Investment Program, the proposed annual update referred to in paragraph (a) of this Section.

Section 3.05. The Borrower shall, before commencing to execute, or committing funds for the execution of, a surface transport investment estimated to cost \$5,000,000 or more: (a) inform the Bank of such investment and commitment, and of its assessment of the impact of such investment on the Road Infrastructure Investment Program and the Project; and (b) give the Bank an opportunity to comment on such investment and commitment.

Section 3.06. The Borrower agrees to maintain full cost recovery in respect of the National Road Transport Sector, to advise the Bank of any changes of policy or actions which would adversely affect such cost recovery, and to afford the Bank an opportunity to review and comment on such changes. Upon the Bank's request, the Borrower shall provide the Bank information, satisfactory to the Bank, indicating the level of cost recovery in respect of such National Road Transport Sector.

Section 3.07. The Borrower agrees to maintain a pricing policy for gasoline, diesel, lubricants and bitumen which, net of taxes, shall be at all times not less than the opportunity cost of the products in question. For purposes of this section, "opportunity cost" means the CIF (cost, insurance and freight) cost in Jamaica of the equivalent imported product.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of 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 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 four 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.

ARTICLE V

Effective Date

Section 5.01. The date March 12, 1991 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 of Finance 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:

Ministry of Finance
30 National Heroes Circle
Kingston 4
Jamaica

Cable address:

Ministry of Finance
Kingston

Telex:

2447

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain
Regional Vice President
Latin America and the Caribbean

JAMAICA

By /s/ Keith Johnson
Authorized Representative

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) Eligible Invest- ments	25,500,000	68%
(2) Equipment and Spare Parts	400,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultants' Services and Training	5,600,000	80%
(4) Unallocated	3,500,000	
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TOTAL	35,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$3,500,000, may be made on account of payments made for expenditures before that date but after April 1, 1990.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to strengthen the institutional capabilities of MOC(W) to plan, manage and maintain the Borrower's road infrastructure in a cost-effective manner; (b) to improve the efficiency of the Borrower's investments in the Borrower's road transport sector; and (c) to improve road safety.

The Project is part of the Road Infrastructure Investment Program and it 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. Reorganization of MOC(W).

2. Development of mechanisms to coordinate implementation of externally funded projects within MOC(W).

3. Provision of technical assistance for the development, implementation, management and supervision of the Road Infrastructure Investment Program.

4. Training of selected MOC(W) personnel in the development, management, implementation and supervision of road infrastructure investments.

5. Acquisition and utilization of equipment for MOC(W) to facilitate management of the road subsector.

6. Studies on: (a) road users' cost; and (b) flood water management.

Part B: Road Infrastructure Investments

Carrying out of Eligible Investments.

Part C: Road Equipment Management

Improvement of MOC(W)'s equipment management capabilities through: (a) the provision of equipment, spare parts and tools, management consultants' services; and (b) the setting up of a system providing for staff accountability and responsibility.

Part D: Road Safety Program

Development and implementation of a road safety program through: (a) the carrying out of a study on road safety; (b) the provision of technical assistance to assist in developing and implementing such road safety program and in the supervision thereof; (c) the provision of equipment and materials required for such program; and (d) the carrying out of media, printing and public relations campaigns as well as the provision of other communications services support as shall be acceptable to the Bank.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15 commencing May 15, 1996 through May 15, 2007	1,460,000
and on November 15, 2007	1,420,000

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

Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a

percentage per annum)
applicable to the Loan on
the day of prepayment
multiplied by:

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

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works 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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Jamaica 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. Items or groups of items: (a) for goods estimated to cost the equivalent of \$100,000 or less per contract; and (b) for works estimated to cost the equivalent of \$2,000,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Items or groups of items: (a) for goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$100,000; and (b) for works estimated to cost the equivalent of \$50,000 or less per contract up to an aggregate amount equivalent to \$750,000 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.

3. Eligible Investments for routine maintenance of road infrastructure, and Eligible Investments for construction of new road infrastructure not to exceed in the aggregate \$500,000 equivalent, may be carried out by force account of MOC(W) provided, however, that the procedures and unit costs thereof are 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 procured in accordance with Part A above, and to the first two contracts of civil works and goods procured in accordance with Part C.1 above, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

Implementation Program

Actions	Date (by)
The Borrower shall:	
1. (a) Commence implementation of the road safety study included in Part D of the Project	December 31, 1991
(b) Furnish to the Bank its recommendations on the study referred to in 1 (a) above	December 31, 1992
(c) Review with the Bank the recommendations referred to in 1 (b) above	March 30, 1993
2. (a) Commence implementation of the road user cost study included in Part A.6 (a) of the Project	December 31, 1992
(b) Furnish to the Bank its recommendations on the study referred to in	

- | | |
|--|--------------------|
| 2 (a) above | September 30, 1993 |
| (c) Review with the Bank the recommendations referred to in 2 (b) above and a proposed plan of action to address issues raised in the study referred to in 2 (a) above | December 31, 1993 |
| Actions | Date (by) |
| (d) Promptly after December 31, 1993 commence implementation of such action plan revised as needed to take into account the Bank's comments thereon | |
3. Appoint, under terms of reference including the term of their respective contracts, and with qualifications and experience, satisfactory to the Bank:
- | | |
|--|-------------------|
| (a) a project director; | January 1, 1991 |
| (b) a transport economist and a highway engineer; | January 31, 1991 |
| (c) two project engineers; two equipment management consultants and an institutional specialist; and | February 28, 1991 |
| (d) an environmental specialist | March 31, 1991 |
| Actions | Date (by) |
4. Prepare, and furnish to the Bank, a written report on the progress achieved in the execution of, inter alia, the physical, financial and institutional aspects of the Project. Each such report shall be of such scope and detail as the Bank shall reasonably request and shall include, inter alia, information indicating progress achieved, measured against key monitoring and evaluation indicators acceptable to the Bank
- Not later than 30 days after the end of each quarter of each year
5. Furnish to the Bank a written report on the progress made during the previous year in the implementation of the Road Infrastructure Investment Program including other externally-funded projects. Each such report shall be of such scope and detail as the Bank shall reasonably request and shall include, inter alia, information indicating progress achieved, measured against key

monitoring and evaluation indicators acceptable to the Bank	October 1 each year
Actions	Date (by)
6. Carry out an equipment management program satisfactory to the Bank	As agreed in the program approved by the Borrower on September 19, 1990 and furnished to the Bank on October 10, 1990
7. Carry out a reorganization of MOC(W) staff satisfactory to the Bank	As agreed in the program approved by the Borrower on September 19, 1990 and furnished to the Bank on October 10, 1990
8. Furnish to the Bank, as part of the update of the Road Infrastructure Investment Program referred to in Section 3.04 of the Loan Agreement, evidence that any land required for construction activities included in such update for carrying out the following year has been duly acquired	October 31 of each year
9. In the event that any investment to be included in the updates of the Road Infrastructure Investment Program requires displacement or resettlement of population and upon the Bank's request, carry out a resettlement plan for such population which shall be satisfactory to the Bank	Prior to commencing investment

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means all Categories other than Category (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term "Authorized Allocation" means an amount equivalent to \$ 2,300,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that

the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

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

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

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

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

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

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

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (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; and

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

