

CONFORMED COPY

LOAN NUMBER 3004-BM

Loan Agreement

(Second Technical and Vocational Training Project)

between

THE COMMONWEALTH OF THE BAHAMAS

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 9, 1989

LOAN NUMBER 3004-BM

LOAN AGREEMENT

AGREEMENT, dated January 9, 1989, between THE COMMONWEALTH OF THE BAHAMAS (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 describe 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated October 20, 1987 and November 20, 1987 between the Borrower and the Bank;

- (c) "PIU" means the Project Implementation Unit referred to in Section 3.01
- (b) of this Agreement;
- (d) "NTC" means the National Training Council, an agency of the Borrower;
- (e) "ITC" means any of the Industrial Training Centers of NTC located in the Borrower's cities of Nassau or Freeport, and "ITCs" means, collectively, the aggregate of those centers;
- (f) "MOE" means the Ministry of Education of the Borrower;
- (g) "BHTC" means the Bahamas Hotel Training College 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 this Agreement, an amount in various currencies equivalent to ten million dollars (\$10,000,000).

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 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, 1995 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 per annum for each Interest Period equal to one-half of one percent 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 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 March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

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

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall establish in MOE and maintain, until the completion report referred to in Section 9.07 (c) of the General Conditions has been furnished to the Bank, a project implementation unit (PIU), with staffing, organization, functions, responsibilities and funding arrangements satisfactory to the Bank.

(c) The Borrower shall ensure, or cause to be ensured, that the Project shall be managed by PIU, and that PIU shall consist of: (i) on a full-time basis, a project manager, a civil works coordinator, a procurement specialist, and support and clerical staff; and (ii) on a part-time basis, the principal officer of NTC, three (3) coordinators of vocational/technical education services who shall be provided by MOE, representatives of the Borrower's tourism training institutions, a legal officer, and a project accountant.

(d) Unless the Bank shall otherwise agree, the Borrower shall not make or permit any change, other than those changes needed to comply with the provisions of paragraph (c) of this Section or to carry out Part D of the Project, to be made in the staffing, organization and functions of PIU.

(e) Without limitation to the provisions of Section 9.07 of the General Conditions and unless otherwise reasonably requested by the Bank pursuant to such provisions, the Borrower shall furnish to the Bank by March 31 and September 30 of each year, a semiannual evaluation report on the progress made in the execution of the Project during the preceding six (6) months, such report to be of such scope and in such detail as the Bank shall reasonably request.

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) not later than December 31, 1989, establish national subject-matter advisory committees for eight (8) major industrial and business trades, and local training committees in each of the about nine (9) most populous of the Borrower's Family Islands, each of such committees with functions and staffing satisfactory to the Bank;

(b) not later than June 30, 1989, take all action necessary to implement policies and procedures, satisfactory to the Bank, which will make available to NTC and allow NTC to expend funds for training financed under contracts with employers and/or tuition fees, and establish a schedule of tuition fees satisfactory to the Bank;

(c) not later than June 30, 1989, establish and implement eligibility criteria and procedures, satisfactory to the Bank, designed to ensure that stipends for trainees in NTC programs are provided on the basis of individual need and training performance;

(d) not later than June 30, 1989, establish a labor market information system, in a manner satisfactory to the Bank;

(e) not later than June 30, 1990, establish a system of regular maintenance and materials supply, referred to in Part B (iii) of the Project, for ITCs and area vocational and community skills centers, including those located in the Borrower's Family Islands, in a manner satisfactory to the Bank;

(f) not later than December 31, 1990, expand its apprenticeship system to six (6) trades in New Providence and Grand Bahama Islands, in a manner satisfactory to the Bank;

(g) not later than December 31, 1989, establish and begin implementing, in a manner satisfactory to the Bank, the graduate tracer system referred to in Part A (iv) of Schedule 2 to this

(h) not later than December 31, 1991, take all action necessary to put into effect the plan under Part A (v) of the Project, including all such action as is necessary to achieve and maintain a private sector participation in the financing of training for tourism of at least fifty percent (50%); and

(i) not later than December 31, 1991, complete to the satisfaction of the Bank, the master plan referred to in Part A (vi) of the Project.

#### Section 3.04. The Borrower shall

(a) not later than June 30, 1990, prepare and furnish to the Bank, for its comments, an action program aimed at improving and developing the utilization and management of the ITCH and community skills centers, including those located in the Borrower's family Islands, and at the training of managers and instructors of said centers, referred to in Part B (iv) and (v) of the Project;

(b) not later than June 30, 1990, prepare and furnish to the Bank, for its review and comments, new curricula and syllabi for preservice and in service training, and an action plan for mobile training programs, referred to in Part B (1) and (ii) of the Project, respectively; and

(c) promptly thereafter, carry out such program, curricula and syllabi and action plan, taking into account the comments made by the Bank thereon, and in accordance with a timetable satisfactory to the Bank.

### 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 (4) 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 4.01, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) 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 (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

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) a change shall have been made in the laws under which NTC has been established which, in the opinion of the Bank, shall adversely affect the carrying out of the Project; and

(b) any action shall have been taken by the Borrower, or any other authority having jurisdiction, for the dissolution or disestablishment, or for the suspension of the operations, of NTC.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Borrower has taken, or caused to be taken, all such action as shall be necessary to vest in the Borrower all rights in respect of land required for the Project, including title thereto, and has made such land available to MOE for purposes of the Project; and

(b) that PIU has been established in compliance with Section 3.01 of this Agreement and the project manager and procurement specialist referred to therein have been appointed.

Section 6.02. The date is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for Finance 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 Borrower:

Financial Secretary

Ministry of Finance  
Churchill Building  
P.O. Box N 3017  
Nassau, Bahamas

Cable address:

MINFIN

Telex:

2055

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)

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 COMMONWEALTH OF THE BAHAMAS

By /s/ Margaret MacDonald

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husaid

Regional Vice President  
Latin America and the Caribbean

#### 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 (including professional fees)	4,600,000	50%
(2) Furniture, equipment and educational materials	3,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory)

		cost) and 65% of local expenditures for other items procured locally
(3)	Consultants' services and training	1,200,000      100%
(4)	Travel, communications, and office materials under Part D of the Project	75,000      100%
(5)	Refunding of Project Prepara- tion Advance	325,000      Amount due pur- suant to Section 2.02 (c) of this agreement
(6)	Unallocated	800,000
	TOTAL	10,000,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than 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:

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$400,000, may be made on account of payments made for expenditures in respect of professional fees for civil works design and consultants' services, incurred before that date but after April 10, 1988; and

(b) expenditures under Category (1) in respect of Part B of the Project other than professional fees paid to architects and consultants under contracts approved by the Bank for the planning, design and supervision of the civil works, unless the civil works coordinator referred to in Section 3.01 (c) of this Agreement has been appointed.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to implement the major elements of the second phase of the Borrower's long term plan to expand and upgrade its vocational training system, by providing institutional development and improved policy implementation in training management and finance, and by expanding and upgrading and using more effectively the Borrower's vocational training capacity.

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 Development and Policy Implementation

Provision of technical assistance aimed at:

- (i) revising, finalizing and implementing the draft plan of action for the Borrower's labor market information system;
- (ii) revising, finalizing and implementing the draft plan of action for expanding the Borrower's apprenticeship system;

(iii) preparing and implementing a plan of action for strengthening NTC and its national subject-matter advisory committees, and establishing local training committees in the Borrower's Family Islands, including employers' representatives;

(iv) preparing and implementing a plan of action for establishing a graduate tracer system which quantifies and evaluates on a continuous basis the accomplishments of all of NTC's and BHTC's training programs including, inter alia, quality and effectiveness of the delivery of each of said programs, and the nature and terms and conditions of employment of graduates from each of said programs;

(v) revising, finalizing and implementing the draft plan of action for increasing cost recovery and cost sharing by raising trainees' and enterprises' participation in the financing of training, and for cost reduction, including improving the eligibility criteria and procedures for allocating stipends for trainees in NTC programs to needy individuals; and

(vi) preparing and implementing a plan of action for assisting the Borrower in the preparation of a master plan for post-secondary and higher education in the Borrower's territories.

Part B: Skills Training

1. Provision of technical assistance aimed at:

(i) developing curricula for broad-based preservice and in service training of youth and adults responsive to market needs, particularly in the Borrower's Family Islands;

(ii) developing mobile training programs responsive to market needs;

(iii) establishing a system of regular maintenance and materials supply for ITCs and community skills centers, including those located in the Borrower's Family Islands;

(iv) improving the management and utilization of skills training centers; and

(v) training managers and instructors.

2. Carrying out of civil works, and acquisition and utilization of furniture and equipment for skills training workshops at community skills centers and area vocational centers in about twenty-two (22) locations in the eleven (11) most populous islands of the Borrower.

3. Carrying out of complementary workshop construction, and acquisition and utilization of equipment for ITCs and a maintenance and materials supply center in Nassau, and of equipment for mobile training programs for basic and advanced skills training of youth and adults, primarily in the Borrower's Family Islands.

Part C: Tourism Training

1. Provision of technical assistance aimed at: (i) improving the coordination and articulation among existing tourism training programs; (ii) developing and implementing new training program for the tourism sector; and (iii) developing training materials and training of instructors.

2. Carrying out of civil works, and acquisition and utilization of furniture and equipment for a new training facility in Nassau for hotel and tourism training and for accommodation for programs of the BHTC, the University of West Indies Centre for Hotel and Tourism Management, and the Bahama Host Program of the Borrower's Ministry of Tourism.

Part D: Project Management

Strengthening of PIU by expanding its senior staff and improving its capabilities for project supervision.



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The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 1 and September 1 beginning March 1, 1994 through September 1, 2003	500,000

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\* 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

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 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 11 years before maturity	0.73
More than 11 years but not	0.87

more than 13 years  
before maturity

More than 13 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 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).

2. To the extent practicable, contracts for goods shall be grouped in bidding packages estimated to cost the equivalent of \$50,000 or more so as to permit international competitive bidding.

###### 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 Commonwealth of the Bahamas 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. Contracts for civil works other than those in respect of Part C.2 of the Project, up to an aggregate amount not to exceed the equivalent of \$3,500,000 and contracts for goods estimated to cost the equivalent of less than \$50,000, but more than the equivalent of \$10,000, up to an aggregate amount not to exceed the equivalent of \$750,000, 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 estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed the equivalent of \$350,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of 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 for: (i) civil works estimated to cost the equivalent of \$500,000 or more, and (ii) goods 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

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 (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 \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (8) 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 have 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 made 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 Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in

accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

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

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

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

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

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

