

CONFORMED COPY

LOAN NUMBER 3120 CH

(Second Road Sector Project)

between

REPUBLIC OF CHILE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 28, 1989

LOAN NUMBER 3120 CH

LOAN AGREEMENT

AGREEMENT, dated September 28, 1989, between REPUBLIC OF CHILE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Borrower intends to contract from the Export-Import Bank of Japan (Eximbank) a loan (the Eximbank Loan) in an amount equivalent to approximately one hundred and fifty million dollars (\$150,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Eximbank Loan Agreement) to be entered into between the Borrower and Eximbank;

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) "Vialidad" means Direccion de Vialidad, the Roads Directorate of the Ministry of Public Works of the Borrower;

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

(c) "Second Highway Reconstruction Project" means the Project, as so defined, under the Loan Agreement (Loan No. 2297-CH), dated August 1, 1983, between the Borrower and the Bank in respect of said Project;

(d) "First Road Sector Project" means the Project, as so defined, under the Loan Agreement (Loan No. 2589-CH), dated October 10, 1985, between the Borrower and the Bank in respect of said Project; and

(e) "1990-1997 Road Program" means the Borrower's road investment and maintenance program for the years 1990 through 1997, as agreed between the Borrower and the Bank.

## 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 two hundred twenty-four million dollars (\$224,000,000), 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 account in Banco Central de Chile 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, 1994 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."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

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.

### ARTICLE III

#### Execution of the Project

Section 3.01. 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 Vialidad with due diligence and efficiency and in conformity with appropriate engineering, administrative, environmental, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. The Borrower agrees that both its 1990-1997 Road Program and its detailed annual road investment and maintenance program for the year 1990 and for each subsequent year during the execution of the Project shall be satisfactory to the Bank.

Section 3.03. The Borrower shall carry out the studies included in the Project under terms of reference acceptable to the Bank. The Borrower shall complete the studies forming Part F.1 of the Project by September 30, 1990, the studies forming Parts F.2 and F.3 of the Project by December 31, 1990, and the studies forming Part F.4 of the Project by December 31, 1993. The Borrower shall promptly after the completion of each study included in the Project furnish to the Bank a copy of its findings and recommendations, and shall, to the satisfaction of the Borrower and the Bank, prepare programs or plans of action to carry out the recommendations of such studies.

Section 3.04. The Borrower through Vialidad shall, during the execution of the Project: (a) prepare and furnish to the Bank not later than forty-five (45) days before the end of each quarter ending December 31, March 30, June 30 and September 30, a written report on the progress achieved in the execution of, inter alia, the physical, financial, institutional and environmental 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; and

(b) meet with the representatives of the Bank at least twice a year during the execution of the Project to review said progress against such key monitoring and evaluation indicators, said meetings to be conducted in respect of the first period of six months of each year, by the next following August 30, and, in respect of the second period of six months of each year, by the next following February 28.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods, works, consultants' services and training activities required for the Project and to be financed from the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial and Other 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 was made, all records (contracts,

orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

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

Section 4.02. The Borrower shall: (i) cause all roads of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, in accordance with appropriate engineering, administrative, environmental, economic and financial practices; (ii) cause all road maintenance equipment and workshops to be adequately maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with appropriate engineering, administrative, environmental, economic and financial practices; and (iii) without limitation to its obligations under Section 3.01 of this Agreement, promptly provide all funds required for the foregoing.

#### 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) The Eximbank Loan Agreement or a colenders agreement between the Bank and Eximbank relating to the cofinancing of the Project shall have failed to become effective by December 1, 1989, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the Eximbank Loan or any other loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Termination

Section 6.01. The date December 28, 1989 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 Public Works 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 Borrower:

Ministry of Public Works  
Morande 59  
Santiago  
Chile

Cable address:

MINOBRAS

Telex:

240777 SETOP CL

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.

REPUBLIC OF CHILE

By /s/ Enrique Seguel

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President  
Latin America and the Caribbean

Countersigned on behalf of the  
Controller General and of the  
Treasury General of the  
Republic of Chile

By /s/ Octavio Errazuriz Guilisasti

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) Works under Parts A.1, A.2 and B of the Project	180,000,000	32%
(2) Goods under the Project	2,000,000	100% of foreign expenditures in respect of goods procured from abroad and 70% of total expenditures in respect of goods procured in Chile
(3) Services of consultants and training expenditures under Parts D, E.1, E.2, E.4, E.5 and F of the Project	14,700,000	100% of foreign expenditures and 70% of local expenditures
(4) Training expen- ditures for study visits abroad under Part E.3 of the Project	300,000	100%
(5) Unallocated	27,000,000	
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TOTAL	224,000,000	

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 exceeding the equivalent of \$7,000,000, may be made in respect of Category 1 and, for consultants' services, in respect of Category 2, on account of payments made for expenditures before that date but after September 1, 1989.

## SCHEDULE 2

### Description of the Project

The Project comprises the Borrower's road investment and maintenance program for the years 1990-93 as well as the administration thereof.

The main objectives of the Project are to assist the Borrower in the execution of said program generally, and in particular, to: (i) reach normal maintenance level with a balanced distribution of funds between road investment and maintenance; (ii) reestablish a functional local road maintenance system with improved technical execution; (iii) resolve major traffic congestion problems through a select program of doubled roadways and rehabilitation of road bridges; (iv) improve competence of Vialidad in the economic evaluation of road construction and maintenance through the use of computer models; and (v) strengthen the capabilities of Vialidad's Departamento de Conservacion (Road Maintenance Department) by means of training.

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:

Civil works in connection with the following road investments which shall be executed in accordance with plans acceptable to the Bank:

- (1) Construction of approximately 156 kilometers of double roadways and bridges on major heavily traveled roads;
- (2) Replacement or reconstruction of approximately thirteen major bridges other than those referred to in paragraph (1); and
- (3) Construction, reconstruction, rehabilitation or upgrading of roads included in the basic and in the primary local road networks of the Borrower, including the construction of bridges, bypasses and urban overpasses.

#### Part B:

Civil works in connection with the following road maintenance and rehabilitation activities which shall be executed in accordance with plans acceptable to the Bank:

- (1) Periodic maintenance, including: (a) resealing of surface treatments or overlays of roadways and shoulders; (b) gravelling and paving of unpaved surfaces; and (c) repair of drainage and river training structures, including bridges;
- (2) (A) Routine maintenance of the Borrower's basic road network comprising approximately 23,000 kilometers of roads; (B) Routine maintenance of the Borrower's primary local road network comprising approximately 24,000 kilometers of roads; and (C) Routine maintenance, in which the Borrower shall participate together with the Borrower's municipalities, of the Borrower's secondary local road network, comprising approximately 32,000 kilometers of roads; all such routine maintenance referred to in (A) through (C) above to include: (a) patching and sealing joints and cracks on roads paved with bituminous or cement concrete; (b) grading and spot regraveling of unpaved roads; (c) clearing and maintenance of drainage ditches and their structures; (d) maintenance of bridges and river-training structures; (e) maintenance of tunnels,



weighing and toll stations, road signs and road markings; and (f) snow removal; and

(3) Emergency rehabilitation of roads and road structures in case of unforeseen disasters.

Part C:

Acquisition and utilization of road maintenance equipment for Vialidad.

Part D:

Consultants' services in connection with Part A and Part B of the Project, including consultants' services for (1) Project coordination; (2) engineering studies; (3) supervision of major civil works; (4) continuation of long-range pavement evaluation and design studies to assist in establishing an adequate management system, which were begun under the Second Highway Reconstruction Project and were continued under the First Road Sector Project; (5) studies to adapt the Highway Designs and Maintenance III PC - computer system, developed by the Bank for purposes of design and management of road networks, to handle congested roads and cement concrete roads; and (6) feasibility and engineering studies to prepare future activities in the Borrower's road sector.

Part E:

Improvement of the maintenance capability of Vialidad by means of (1) training of about 3,400 professionals, technicians and administrative employees of Vialidad; (2) training of the instructors of Vialidad performing training for managers, professionals, skilled workers, foremen and administrative personnel; (3) implementing study visits abroad for approximately 45 managers and professionals of Vialidad; (4) upgrading teaching materials; and (5) developing the training policies of Vialidad.

Part F:

Studies to: (1) update the road user charges system of the Borrower; (2) evaluate the costs and benefits of the training program of Vialidad for the years 1986 through 1989 and to measure the effects of said training program; (3) determine the procedures involved in establishing a well functioning transport information system for the purpose of publishing transport data on a regular basis; and (4) improve the evaluation methodology of dual carriageway roads.

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The Project is expected to be completed by December 31, 1993.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15 beginning May 15, 1995 through May 15, 2006	9,335,000
On November 15, 2006	9,295,000

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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

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 eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement; Consultants' Services  
and Training Activities

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. Bidders for the works to be procured on the basis of international competitive bidding shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part C hereof, goods manufactured in Chile 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. Civil works estimated to cost the equivalent of \$5,000,000 or less, and goods estimated to cost the equivalent of \$300,000 or less, may be procured, under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures acceptable to the Bank.

2. Notwithstanding Part A and Part C.1 above, civil works under Part B (2) of the Project, may be undertaken by the Borrower's own personnel utilizing the Borrower's own equipment, provided that the Bank is satisfied that execution of such works by the Borrower is less costly than execution of said works would be if performed by contractors selected in accordance with Part A or, when applicable, Part C.1 above.

Part D: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of contracts:

Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) all contracts and related documents in respect of works subject to Part A of this Schedule 4; (ii) the first three contracts and related documents in respect of works subject to Part C.1 of this Schedule; (iii) all contracts and related documents in respect of goods the cost of which would exceed the equivalent of \$300,000; and (iv) the first three contracts and related documents in respect of hiring of consultants, and after such three contracts have been submitted to the Bank for its review, with respect to all said contracts and related documents when the amount of the respective contract would exceed the equivalent of \$200,000, 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.

3. The figure of 20% 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.

Section III. Training Activities

1. Notwithstanding Section II above, training activities under the Project may be undertaken by the Borrower's own personnel, provided that the Bank is satisfied that execution of such training activities is less costly than execution of said activities would be if performed by consultants selected in accordance with Section II above.

2. Transportation and other associated services in connection with training activities shall be procured under arrangements satisfactory to the Bank.

#### 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 \$19,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

