

CONFORMED COPY

LOAN NUMBER 2986 PAK

(Agricultural Sector Adjustment Loan)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 7, 1988

LOAN AGREEMENT

AGREEMENT, dated September 7, 1988, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated May 31, 1988, from the Borrower describing a program of actions, objectives and policies designed to achieve reforms in the agricultural sector of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports and services required for the agricultural sector during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

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

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) "Rs" and "rupees" mean the currency of the Borrower;

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

(c) "Punjab" means the Province of Punjab, a political subdivision of the Borrower, or any successor thereto;

(d) "Sind" means the Province of Sind, a political subdivision of the Borrower, or any successor, thereto;

(e) "NWFP" means the North West Frontier Province, a political subdivision of the Borrower, or any successor thereto;

(f) "Baluchistan" means the Province of Baluchistan, a political subdivision of the Borrower, or any successor thereto;

(g) "Provinces" mean Punjab, Sind, NWFP and Baluchistan collectively, and "Province" means each or any one of the Provinces;

(h) "O&M costs" mean operation and maintenance costs;

(i) "SCARP" means a salinity control and reclamation project of the Borrower;

(j) "APCOM" means the Agricultural Prices Commission of the Borrower; and

(k) "FY" and "Fiscal Year" mean the Borrower's or a Province's fiscal year, as the case may be, covering the period July 1 through June 30.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to two hundred million dollars (\$200,000,000).

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 during the execution of the Program and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special account in the National Bank of Pakistan 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, 1990 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 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 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) The State Bank of Pakistan 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.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the State Bank of Pakistan with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to

be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. In order to assist the Borrower in carrying out the water and drainage charges assessment and collection study referred to in Section 3.07 of this Agreement, 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 the 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 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(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 six months after the end of each such year, a certified copy of 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.

Section 3.05. The Borrower shall eliminate the economic subsidy (a) for phosphate fertilizers by October 1991, and (b) for potash fertilizers by October 1995, all through annual domestic price adjustments made in accordance with a formula and a schedule satisfactory to the Bank.

Section 3.06. The Borrower shall, in a manner and according to a schedule satisfactory to the Bank, continue to take and/or support measures for reduction of costs of marketing and distribution of fertilizer, including but not limited to:

(a) rationalization of the system of allocating responsibility for marketing and distribution as between public and private distributors;

(b) increase in the private distributors' share of such responsibility; and

(c) facilitation of private distributors in discharging such responsibility.

Section 3.07. The Borrower shall:

(a) by March 31, 1989, carry out and complete, in association with the Provinces, and under terms of reference satisfactory to the Bank, a study on improvement of water and drainage charges assessment and collection procedures;

(b) by May 31, 1989, in consultation with the Bank, review the findings of such study and prepare an implementation plan therefor; and

(c) cause the Provinces to adopt such implementation plan and to improve their water and drainage charges assessment and collection procedures in accordance therewith.

Section 3.08. (a) The Borrower shall cause Punjab and Sind to achieve, in accordance with a phased timetable satisfactory to the Association, full recovery of the O&M costs of their surface irrigation and subsurface saline drainage facilities through water and/or drainage charges.

(b) To that end, if by July 1, 1992, Punjab and Sind shall have been unable to achieve full O&M cost recovery despite the improvements in their water and drainage charges assessment and collection procedures made pursuant to Section 3.07 of this Agreement, the Borrower shall cause Punjab and Sind:

(i) if the shortfall is expected to be less than 25%, to adjust their water and/or drainage charges so as to make up the shortfall and achieve full O&M cost recovery by July 1, 1993;

(ii) if the shortfall is expected to be 25% or more but less than 40%, to adjust their water and/or drainage charges, through periodic increases satisfactory to the Bank, so as to make up the shortfall and achieve full O&M cost recovery by July 1, 1995; and

(iii) if the shortfall is expected to be 40% or more, to adjust their water and/or drainage charges, through periodic increases satisfactory to the Bank, so as to make up the shortfall and achieve full O&M cost recovery by July 1, 1997.

(c) The Borrower shall thereafter cause Punjab and Sind to maintain such full O&M cost recovery and, to that end, to continue to adjust their respective water and/or drainage charges as necessary.

(d) The Borrower shall cause NWFP and Baluchistan to automatically adjust their respective water and/or drainage charges to the levels, if any, to which Punjab and Sind, respectively, shall have adjusted their water and/or drainage charges under paragraph (b) and (c) of this Section; provided, however, that in no case shall such adjustments result in water and/or drainage charges at levels below those assessed in FY 88.

(e) The provisions of paragraphs (a), (b), (c) and (d) of this Section shall be modified in their application to any new subsurface saline drainage facilities to be completed in the future, to the extent that with respect to such facilities the

Provinces shall begin O&M cost recovery only at the end of a three-year development period commencing from the completion of such facilities.

(f) The provisions of paragraphs (a), (b) and (c) of this Section shall not apply to the subsurface saline drainage facilities constructed under the Association-financed Left Bank Outfall Drain-Phase I Project (Credit No. 1532-PAK), with respect to which Sind shall achieve and maintain full O&M cost recovery in accordance with the arrangements agreed for this purpose between the Association and Sind under that Project.

Section 3.09. (a) The Borrower shall cause the Provinces to phase out all public tubewells in fresh groundwater areas (other than those in the South Rohri and Ghotki areas in Sind), in accordance with a program mutually satisfactory to the Borrower and the Bank.

(b) To that end, the Borrower shall cause:

- (i) the Provinces not to undertake any future investments in new or replacement tubewells for public operation in such fresh groundwater areas; and
- (ii) Punjab and Sind to privatize existing public tubewells in such fresh groundwater areas as follows:
  - (A) under a second SCARP transition project in the SCARP I area in Punjab, to be completed by June 30, 1994;
  - (B) under a pilot SCARP transition project in the North Rohri area in Sind, to be completed by June 30, 1994; and
  - (C) under other SCARP transition projects both in Punjab and Sind, to be initiated by July 1, 1994, and completed by June 30, 1998.

(c) The Borrower shall ensure that Punjab and Sind will complete and furnish to the Bank the necessary feasibility studies:

- (i) for the SCARP transition projects referred to in paragraph (b) (ii) (A) and paragraph (b) (ii) (B) of this Section, by June 30, 1989; and
- (ii) for the other SCARP transition projects referred to in paragraph (b) (ii) (C) of this Section, by March 31, 1993.

Section 3.10. The Borrower shall formulate a three-year priority investment program for the agricultural and water sectors for FY 89, FY 90 and FY 91 taking into account, inter alia, the need for:

- (i) improving utilization of existing assets, raising efficiency of input use, and increasing crop yields;
- (ii) facilitating private sector participation, among others, in input distribution, fresh groundwater exploitation, agricultural advisory services, and agricultural product marketing (domestic as well as export/import); and
- (iii) designing irrigation projects based on availability of water.

Section 3.11. The Borrower shall ensure that:

(a) APCOM will be actively involved in recommending annual domestic price adjustments for phosphate and potash fertilizers for the purposes of Section 3.05 of this Agreement; and

(b) APCOM's methodology for formulating price recommendations for selected commodities will be reviewed with the Bank annually, beginning October 1988.

Section 3.12. The Borrower shall ensure that APCOM's work program will be reviewed with the Bank annually, beginning October 1988.

Section 3.13. The Borrower shall carry out a rice and cotton export operations study, under terms of reference satisfactory to the Bank, and shall review with the Bank the findings thereof and a proposed action plan based thereon, not later than April 30, 1989.

#### ARTICLE IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Effective Date; Termination

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

(a) a Program Steering Committee has been established, in a location, and with composition and powers and functions, all satisfactory to the Bank;

(b) a Program Coordinator has been designated, to act as Secretary to the Program Steering Committee, and with other powers and functions satisfactory to the Bank;

(c) Program Directors have been designated, in locations, and with powers and functions, all satisfactory to the Bank; and

(d) the priority investment program referred to in Section 3.10 of this Agreement has been reviewed with the Bank.

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

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Secretary to the Government of Pakistan, Economic Affairs Division, or any Additional Secretary, Joint Secretary, Deputy Secretary, or Section Officer in that Division 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:

Economic Affairs Division  
Islamabad

Pakistan

Cable address:

ECONOMIC  
Islamabad

Telex:

ECDIV-05-634

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.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ C. M. Afzal  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ H. E. Kûpp  
Acting Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	of % to be Financed
(1) Agricultural imports	199,000,000	100% of foreign expenditures
(2) Consultants' services	1,000,000	100%
TOTAL	200,000,000	



2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods procured under contracts costing less than \$15,000 equivalent;

(b) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(c) expenditures for goods of types or in quantities which shall not have received the prior approval of the Bank.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$100,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program, and (b) that the actions described in Schedule 4 to this Agreement have been taken.

5. If, after the exchange of views described in paragraph 4 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

## SCHEDULE 2

### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 15, 1994	3,650,000
September 15, 1994	3,790,000
March 15, 1995	3,935,000
September 15, 1995	4,090,000
March 15, 1996	4,245,000
September 15, 1996	4,410,000
March 15, 1997	4,580,000
September 15, 1997	4,760,000
March 15, 1998	4,940,000
September 15, 1998	5,135,000
March 15, 1999	5,330,000
September 15, 1999	5,535,000
March 15, 2000	5,750,000
September 15, 2000	5,970,000
March 15, 2001	6,205,000
September 15, 2001	6,440,000
March 15, 2002	6,690,000
September 15, 2002	6,950,000
March 15, 2003	7,220,000
September 15, 2003	7,495,000
March 15, 2004	7,785,000
September 15, 2004	8,085,000
March 15, 2005	8,400,000
September 15, 2005	8,720,000
March 15, 2006	9,060,000

September 15, 2006	9,410,000
March 15, 2007	9,770,000
September 15, 2007	10,150,000
March 15, 2008	10,540,000
September 15, 2008	10,960,000

\* 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

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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

#### SCHEDULE 3

##### Procurement

1. Contracts for the procurement of goods shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

##### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid;

such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. With respect to each contract, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

3. Notwithstanding the provisions of paragraph 2 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract to be furnished to the Bank pursuant to the provisions of paragraph 2 of this Schedule shall be furnished to the Bank as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

#### SCHEDULE 4

##### Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

#### 1. Fertilizer Subsidy and Costs

(a) Achievement of the relevant interim targets for reduction of economic subsidies for phosphate and potash fertilizers as set forth in the schedule agreed pursuant to the provisions of Section 3.05 of this Agreement.

(b) Adoption of measures for reduction of costs of marketing and distribution of fertilizer, all as specified in paragraphs (a), (b) and (c) of Section 3.06 of this Agreement.

#### 2. Irrigation O & M Cost

Adoption of the implementation plan based on the water and drainage charges assessment and collection study referred to in Section 3.07 of this Agreement.

#### 3. Priority Investment Program for Agricultural and Water Sectors

Implementation of the priority investment program for the agricultural and water sectors prepared pursuant to the provisions of Section 3.10 of this Agreement and provision of adequate funds thereunder for FY 89.

4. Rice and Cotton Export Operations

Adoption of the agreed recommendations of the rice and cotton export operations study referred to in Section 3.13 of this Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Loan, minus the

amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

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

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

