

CONFORMED COPY

LOAN NUMBER 4263 EGT

Loan Agreement

(Pollution Abatement Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL INVESTMENT BANK

Dated February 12, 1998

LOAN NUMBER 4263 EGT

LOAN AGREEMENT

AGREEMENT, dated February 12, 1998, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL INVESTMENT BANK (the Borrower).

WHEREAS (A) the Arab Republic of Egypt (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan;

(C) by agreement (the Development Credit Agreement) of even date herewith between the Guarantor and the International Development Association (the Association), the Association has agreed to make a credit (the Credit) to the Guarantor, in an amount in various currencies equivalent to ten million nine hundred thousand Special Drawing Rights (SDR10,900,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that: (1) the Guarantor agree to make available to the Borrower, under a subsidiary financing agreement (the Subsidiary Financing Agreement) to be entered into between the Guarantor and the Borrower, the proceeds of the Credit provided for under the Development Credit Agreement to assist in financing of Part B of the Project on the terms and conditions set forth in the Subsidiary Financing Agreement; and (2) the Borrower agrees to undertake such obligations towards the Association as set forth in an agreement (the Project Agreement) of even date herewith between the Association and the Borrower; 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 for Single Currency Loans" of the Bank, dated May 30, 1995 with the modifications set forth below, (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "Statutes" means Presidential Decree No. 119 of 1980, pertaining to the establishment and operations of the Borrower, as amended to the date of this Agreement.

(b) "Statement of Policy" means the statement of lending and investment policy of the Borrower adopted by the Board of Directors of the Borrower on January 10, 1981, as amended to the date of this Agreement.

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

(d) "Subsidiary Apex Agreement" and "Apex Finance" mean respectively: (i) the agreement to be entered into between the Borrower and the Apex Bank pursuant to paragraph 1 of Schedule 5 to this Agreement; and (ii) the proceeds of the Loan made available pursuant to the Subsidiary Apex Agreement.

(e) "Apex Bank" means a banking institution, approved by the Bank, with which the Borrower has entered into the Subsidiary Apex Agreement.

(f) "Sub-loan" means a loan made or proposed to be made by the Apex Bank or

by a Participating Bank to a Beneficiary for a Sub-project in part out of the proceeds of the Loan.

(g) "Sub-project" means a specific project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan.

(h) "Beneficiary" means any public or private industrial enterprise to which the Apex Bank or a Participating Bank proposes to make or has made a Sub-loan.

(i) "Participating Bank" means any banking institution, approved by the Bank, with which the Apex Bank has entered into a Subsidiary Participating Agreement.

(j) "Subsidiary Participating Agreement" and "Participating Finance" mean, respectively: (i) any agreement entered into between the Apex Bank and a Participating Bank pursuant to paragraph 2 (a) the Annex to Schedule 5 to this Agreement; and (ii) the proceeds of the Loan made available to a Participating Bank pursuant to a Subsidiary Participating Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twenty million dollars (\$20,000,000).

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 amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made by Beneficiaries under Sub-loans to meet the reasonable cost of goods and services required for the Sub-projects in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account on its books on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2003, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding, the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage

per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); and (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Guarantor and Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable July 15 and January 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; Management and Operations of the Borrower

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 and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and staff, and in accordance with the Statutes and the Statement of Policy.

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

(c) In consideration of the Guarantor entering into the Guarantee Agreement with the Bank, the Borrower shall pay to the Guarantor a guarantee fee at the rate of 0.125% per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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. For the purposes of Section 9.08 of the General Conditions, and without limitations thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

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

Section 4.02. (a) The Borrower shall:

(i) have the records referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and records and accounts for the Special Account for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank, as soon as available but in any case not later than six (6) months after the end of each such year: (A) certified copies of said financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(b) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, in accordance with Section 4.01 of this Agreement, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

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

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (h) of Article VI of the General Conditions, the following additional event is specified, namely, the Statutes or the Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) 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 the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Apex Agreement has been executed on behalf of the Borrower and the Apex Bank; and

(b) all conditions precedent to the effectiveness of the Development Credit Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following is specified as additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Apex Agreement has been duly authorized or satisfied by the Borrower and the Apex Bank, and is legally binding upon the Borrower and the Apex Bank, in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Chairman of the Board of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For the Borrower:

National Investment Bank
18 Abdel Meguid El Rimali
Bab El Louk
Cairo, Egypt

Fax:

(202) 356-2004/
(202) 578-0613

IN WITNESS WHEREOF the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

NATIONAL INVESTMENT BANK

By /s/ Zafer El-Bishry

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The proceeds of the Loan may be withdrawn from the Loan Account to finance 57% of payments made on account of Sub-loans.
2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made on account of Sub-loans prior to the date of this Agreement.
3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for payments made on account of Sub-loans, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in financing pollution abatement investments as will contribute to the reduction of industrial pollution.

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

The financing, through the provision of Sub-loans by the Apex Bank and the Participating Banks, of specific cost-effective pollution abatement investments by Beneficiaries to bring effluent discharges and air emissions of said Beneficiaries' existing facilities towards compliance with the applicable laws and regulations of the Guarantor.

* * *

The Project is expected to be completed by March 31, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
July 15, 2003	420,000
January 15, 2004	430,000
July 15, 2004	445,000
January 15, 2005	460,000
July 15, 2005	470,000
January 15, 2006	485,000
July 15, 2006	500,000
January 15, 2007	515,000
July 15, 2007	530,000
January 15, 2008	545,000

July 15, 2008	565,000
January 15, 2009	580,000
July 15, 2009	600,000
January 15, 2010	615,000
July 15, 2010	635,000
January 15, 2011	655,000
July 15, 2011	675,000
January 15, 2012	695,000
July 15, 2012	715,000
January 15, 2013	740,000
July 15, 2013	760,000
January 15, 2014	785,000
July 15, 2014	805,000
January 15, 2015	830,000
July 15, 2015	855,000
January 15, 2016	880,000
July 15, 2016	910,000
January 15, 2017	935,000
July 15, 2017	965,000
January 15, 2018	1,000,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of Article IV of the General Conditions.

SCHEDULE 4

Procurement

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Schedule, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, which the Bank agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, estimated to cost \$200,000 equivalent or less per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods to be procured by purchasers required to follow the Borrower's public procurement procedures, estimated to cost \$100,000 equivalent of less per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Commercial Practice

Goods to be procured by purchasers not required to follow the Borrower's public procurement procedures, estimated to cost \$5,000,000 equivalent or less per contract, may be procured in accordance with the normal commercial practices of such purchasers at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of goods and availability of maintenance facilities and spare parts therefor.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

1. For the purpose of carrying out the Project, the Borrower shall make available the proceeds of the loan to the Apex Bank, under the Subsidiary Apex Agreement, on the conditions set forth in the Annex to this Schedule, and on the following terms:

(a) the Apex Finance shall be charged (i): on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to the rate applicable to the Loan Agreement, plus a margin of not more than 0.125% per annum, and (ii) on the principal amount thereof not withdrawn from time to time, commitment charge at the same rate applicable to the Loan pursuant to Section 2.04 of this Agreement; and

(b) the Apex Finance shall be repaid over a term not exceeding 20 years, including a grace period not exceeding five (5) years.

2. The Borrower shall exercise its rights under the Subsidiary Apex Agreement in such manner as to protect its interests and the interests of the Bank and to achieve the purposes of the Project, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Apex Agreement or any provision thereof.

Annex to Schedule 5

The provisions of this Annex shall apply for the purposes of paragraph 1 of Schedule 5 to this Agreement.

1. The Apex Bank undertakes that, unless the Bank shall otherwise agree, Sub-loans will be made to Beneficiaries, either:

(a) through the Participating Banks under Subsidiary Participating Agreements to be entered into between the Borrower and each such Participating Bank on terms and conditions which shall have been approved by the Bank and which shall include those set forth in Attachment A to this Annex; or

(b) directly by the Apex Bank on the terms and conditions set forth in Attachment B to this Annex.

2. The Apex Bank shall take all measures to ensure that the aggregate amount of any or all Sub-loans to any one Beneficiary shall not exceed the equivalent of \$5,000,000, when added to any other amount financed or proposed to be financed by the Apex Bank or the Participating Banks out of the proceeds of the Loan and the proceeds of the Credit; provided, however, that such aggregate amount may be increased to the equivalent of \$8,000,000 in cases where the Steering Committee, referred to in Section 3.01 (a) of the Guarantee Agreement, determines, and the Bank agrees, that such an increase is required to finance urgent industrial pollution abatement investments to reduce high levels of toxic substances or heavy metals emissions in densely populated areas.

3. The right of the Apex Bank to the use of the Apex Finance shall be: (a) suspended upon failure of the Apex Bank to perform any of its obligations under the Subsidiary Apex Agreement, and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of 60 days.

4. (i) The Apex Bank shall maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank; (iii) furnish to the Association and the Borrower, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Bank or the Borrower shall have reasonably requested; and (iv) furnish to the Bank and the Borrower such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or the Borrower shall from time to time reasonably request.

5. The Apex Bank shall exercise its rights under the Subsidiary Participating Agreements in such manner as to protect its interests and the interests of the Bank and the Borrower and to achieve the purposes of the Project, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any such Agreement.

6. The Apex Bank shall coordinate and monitor the overall execution of the Project, the carrying out by the Participating Banks of their obligations pursuant to their respective Subsidiary Participating Agreement and the carrying out by Beneficiaries of their obligations pursuant to their respective agreements with the Apex Bank and the Participating Banks providing for Sub-loans, in accordance with policies and procedures satisfactory to the Bank.

Attachment A to the
Annex to Schedule 5

Principal Terms and Conditions of
Subsidiary Participating Agreements

The provisions of this Annex shall apply for the purposes of paragraph 2 (a) of the Annex to Schedule 5 to this Agreement.

1. The principal amount to be relented out of the proceeds of the Loan to a Participating Bank under its respective Subsidiary Participating Agreement shall be denominated in dollars and be the equivalent of the aggregate amount relented by the Apex Bank and utilized by such Participating Bank in the making of Sub-loans.

2. The Participating Finance shall be charged on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of this Agreement, plus a margin of not more than 0.25% per annum, as such margin may be adjusted from time to time as agreed between the Bank and the Apex Bank.

3. The Participating Finance shall be repaid in accordance with an amortization

schedule pursuant to which each portion thereof utilized in the making of a Sub-loan shall have a maturity calculated to conform to the amortization schedule applicable to such Sub-loan.

4. The right of a Participating Bank to the use of the proceeds of its respective Participating Finance shall be: (a) suspended upon failure of such Participating Bank to perform any of its obligations under its respective Subsidiary Participating Agreement; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

5. Each respective Subsidiary Participating Agreement shall contain provisions pursuant to which each respective Participating Bank shall undertake to:

(a) carry out its activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified staff, and in accordance with appropriate investment and lending policies and procedures, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiaries on the terms and conditions set forth in Attachment B to the Annex to Schedule 5 to this Agreement; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Bank and the Borrower, comply with its obligations under its respective Subsidiary Participating Agreement and achieve the purposes of the Project; (iii) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of the Apex Bank; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures satisfactory to the Bank and the Apex Bank;

(c) (i) exchange views with, and furnish all such information to the Apex Bank, as may be reasonably requested by the Bank or the Apex Bank, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Participating Agreement, and other matters relating to the purposes of the Project; and (ii) promptly inform the Apex Bank of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Participating Agreement; and

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Apex Bank; (iii) furnish to the Apex Bank, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Bank or the Apex Bank shall have reasonably requested; and (iv) furnish to the Apex Bank such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or the Apex Bank shall from time to time reasonably request.

Attachment B to the
Annex to Schedule 5

Terms and Conditions of Sub-loans

The provisions of this Attachment shall apply for the purposes of paragraph 2 (b) of the Annex to Schedule 5 to this Agreement and paragraph 5 (b) (i) of Attachment A to said Annex.

1. (a) The principal amount of each Sub-loan shall be denominated and be the equivalent in dollars or in the currency of the Guarantor (determined as of the date or respective dates of withdrawal from the Loan account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and services financed out of such proceeds for the Sub-project.

(b) Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by the Apex Bank or the Participating Bank making such Sub-loan in accordance with the applicable investment and lending policies and practices of the Apex Bank or the Participating Bank; and (b) made for a period determined pursuant to said policies and practices and not exceeding eight (8) years, inclusive of a grace period of up to two (2) years.

2. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of a Sub-loan unless:

(a) such Sub-project shall have been determined by the Apex Bank or the Participating Bank, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Bank: (i) to be cost effective and technically feasible and in conformity with environmental guidelines, satisfactory to the Bank, and with all applicable laws and regulations of the Guarantor relating to health, safety and environmental protection, established pursuant to an environmental audit and confirmed as such by the Project Implementation Unit referred to in Section 3.01 (b) of the Guarantee Agreement; (ii) to have been reviewed and recommended for financing out of the proceeds of the Credit by, as the case may be, said Project Implementation Unit or by the Steering Committee referred to in Section 3.01 (a) of the Guarantee Agreement; and (iii) in respect of which the Beneficiary shall have entered into the Sub-project technical implementation agreement with said Project Implementation Unit as provided in Section 3.01 (b) of the Guarantee Agreement;

(b) the Sub-loan for such Sub-Project shall have been made or approved by the Apex Bank, or the participating Bank, on the basis of information, prepared pursuant to guidelines agreed with the Bank, comprising: (i) a description of the Beneficiary and the appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and

(c) the expenditure for such Sub-project shall, except as the Bank shall otherwise agree, have been made not earlier than one hundred twenty (120) days prior to the date on which the information referred to in subparagraph (b) hereof has been prepared by or furnished to the Apex Bank or the Participating Bank.

3. Sub-loans shall be made to Beneficiaries who each shall have established to the satisfaction of the Apex Bank or the Participating Bank, on the basis of guidelines acceptable to the Bank, that:

(a) it is creditworthy and has the resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project, or has obtained a guarantee, acceptable to the Apex Bank or the participating Bank, from the holding company in control of the Beneficiary's shares, guaranteeing such Beneficiary's performance and payment obligations under its respective Sub-loan; and

(b) it is able and has undertaken to contribute at least 10% of the estimated cost of the Sub-project.

4. Sub-loans shall each be made on terms whereby the Apex Bank or the Participating Bank shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Bank and the Borrower, including, as appropriate, the right to:

(a) require the Beneficiary: (i) to carry out the Sub-project (A) in accordance with such Beneficiary's Sub-project technical implementation agreement referred to in paragraph 2 (a) (iii) of this Attachment, and (B) with due diligence and efficiency and in conformity with appropriate technical, environmental, economical and financial practices; (ii) to maintain adequate records; and (iii) to provide, promptly as needed, the fund facilities and other resources required for the purpose;

(b) require that: (i) the goods to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-project;

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

(d) require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) require the Beneficiary to: (i) have its financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Apex Bank or the Participating Bank; and (ii) furnish to the Apex Bank or the Participating Bank, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of its financial statements for such year as so audited, and the report of such audit by said auditors, of such scope and in such detail as the Apex Bank or the Participating Bank shall have reasonably requested;

(f) obtain all such information as the Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-loan upon failure by such Beneficiary to perform its obligations under its contract with the Apex Bank or the Participating Bank.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of amounts paid by the Borrower on account of Sub-loans 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 \$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$6,000,000.

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 deposit into the Special Account of an amount or amounts 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 into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall

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

All such deposits shall be withdrawn by the Bank from the Loan Account 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.02 (a) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan, minus the total amount of all outstanding special commitments 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 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.

