

CONFORMED COPY

LOAN NUMBER 2946 ME

(Ports Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

BANCO NACIONAL DE OBRAS Y SERVICIOS  
PUBLICOS, S.N.C., I.B.D.

Dated June 7, 1989

LOAN NUMBER 2946 ME

LOAN AGREEMENT

AGREEMENT, dated June 7, 1989 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BANCO NACIONAL DE OBRAS Y SERVICIOS PUBLICOS, S.N.C., I.B.D. (the Borrower).

WHEREAS (A) the Borrower and the United Mexican States (the Guarantor) 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 and to undertake such other obligations as are set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and

conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Action Plan" means, individually or collectively, any one or more of the action plans covering, respectively, the Project Ports and SEDRA, furnished to the Bank by letter of even date herewith;

(b) "Action Plan Arrangements" means, individually or collectively, any one or more of the contractual arrangements to be entered into pursuant to Section 3.09 (b) of the Guarantee Agreement;

(c) "CDP" means, individually or collectively, any one or more of CDP-Guaymas, CDP-Manzanillo and CDP-Veracruz;

(d) "CDP-Guaymas" means the Comité de Desarrollo Portuario established by SCT for the Port of Guaymas;

(e) "CDP-Manzanillo" means the Comité de Desarrollo Portuario established by SCT for the Port of Manzanillo;

(f) "CDP-Veracruz" means the Comité de Desarrollo Portuario established by SCT for the Port of Veracruz;

(g) "CNCP" means the Guarantor's Comisión Nacional Coordinadora de Puertos;

(h) "DGPP" means the Dirección General de Puertos of SCT;

(i) "DGOM" means the Dirección General de Obras Marítimas of SCT;

(j) "DGP" means the Dirección General de Planeación of SCT;

(k) "ESP" means, individually or collectively, any one or more of SEPOG, SEPOM, SPTA and SERPOVER;

(l) "Guaymas Action Plan" means the Action Plan with respect to the port of Guaymas;

(m) "Manzanillo Action Plan" means the Action Plan with respect to the port of Manzanillo;

(n) "peso" means the currency of the Guarantor;

(o) "Project Ports" means, individually or collectively, any one or more of the Guarantor's deepwater ports at the cities of Guaymas, Manzanillo and Veracruz and the deepwater port at the cities of Tampico and Altamira jointly;

(p) "SCT" means the Guarantor's Secretaría de Comunicaciones y Transportes;

(q) "SEDRA" means the Guarantor's Servicio de Dragado;

(r) "SEDRA Action Plan" means the Action Plan with respect to SEDRA;

(s) "SEPOG" means the Empresa de Servicio Portuario de Guaymas;

(t) "SEPOM" means the Empresa de Servicio Portuario de Manzanillo;

(u) "SERPOVER" means the Empresa de Servicio Portuario de Veracruz;

(v) "SERPOVER Arrangements" means the contractual arrangements to be entered into between SERPOVER and the Guarantor, acting through SCT, pursuant to Section 3.07 (a) of the Guarantee Agreement;

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

(x) "SPTA" means the Guarantor's Sistema Portuario Tampico-Altamira;

(y) "Subsidiary Loan Agreements" means, individually or collectively, any one or more of the agreements to be entered into pursuant to Section 3.04 of this Agreement and Section 3.04 (a) of the Guarantee Agreement;

(z) "Subsidiary Loans" means, individually or collectively, any one or more of the loans extended by the Borrower pursuant to the Subsidiary Loan Agreements;

(aa) "Tampico-Altamira Action Plan" means the Action Plan with respect to the port of Tampico-Altamira; and

(bb) "Veracruz Action Plan" means the Action Plan with respect to the port of Veracruz.

## 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 fifty million dollars (\$50,000,000).

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, as such schedule may be amended from time to time by agreement between the Bank and the Borrower, 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 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 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 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 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 Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 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

##### Transfer of Loan Proceeds; Other Covenants

Section 3.01. The Borrower shall enter into contractual arrangements, satisfactory to the Bank, with the Guarantor, providing, inter alia, for: (i) the transfer to the Guarantor of the proceeds of the Loan for the carrying out of the Project; (ii) the transfer by the Guarantor to the Borrower of such funds as shall be required to be lent by the Borrower to SEPOG, SEPOM and SPTA for the carrying out by them of the parts of the Project assigned to them, respectively; and (iii) the transfer by the Guarantor to the Borrower of such funds as the Borrower shall be required to pay to the Bank on account of principal, interest and other charges on the Loan. Except as the Bank shall otherwise agree, the Borrower shall not change or fail to enforce any provision of such contractual arrangements.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating respectively to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project shall be carried out by the Guarantor pursuant to Section 3.02 of the Guarantee Agreement and by SEPOM, SEPOG and SPTA, as the case may be, pursuant to the Subsidiary Loan Agreements between them, respectively, and the Borrower.

Section 3.04. The Borrower shall enter into the Subsidiary Loan Agreements, satisfactory to the Bank, with SEPOG, SEPOM and SPTA, respectively, in accordance with Section 3.04 of the Guarantee Agreement.

#### ARTICLE IV

## Financial Covenants

Section 4.01. (a) The Borrower shall maintain separate records for the Special Account, adequate to reflect, in accordance with sound accounting practices, the resources and expenditures in connection with the execution of the Project.

(b) The Borrower shall:

- (i) have such separate records and the Special Account for each fiscal year audited in accordance with generally accepted auditing standards and practices consistently applied, by independent and qualified auditors;
- (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, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;
- (iii) furnish to the Bank each month certified statements of the Special Account; and
- (iv) furnish to the Bank such other information concerning the Special Account, and the audit thereof, and said records as the Bank shall from time to time reasonably request.

## 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; provided, however, that if any such event shall have occurred and be continuing, the suspension of the Borrower's right to make withdrawals from the Loan Account may be limited to the amounts re-lent to the entity concerned by such event:

(a) that the Borrower shall have failed to enforce, or shall have amended, modified or waived, any of the provisions of the contractual arrangements referred to in Section 3.01 of this Agreement;

(b) that the Guarantor, acting either directly or through SCT, shall have failed to enforce, or shall have amended, modified or waived, any of the provisions of any of the Subsidiary Loan Agreements, or any party to any of the Subsidiary Loan Agreements, shall have failed to perform any covenant or failed to observe any obligation thereunder;

(c) that the Guarantor or any other authority having jurisdiction shall have taken any action which may materially and adversely affect the implementation of the Project or any part thereof; and

(d) that the event described in the last sentence of Section 3.12 of the Guarantee Agreement shall have occurred.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any of the events specified in Section 5.01, other than subparagraph (d) thereof, 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 Borrower and the Guarantor shall have entered into the contractual arrangements referred to in Section 3.01 of this Agreement; and

(b) at least two of the conditions of disbursement described, respectively, in clauses (b) through (e) of paragraph 3 of Schedule 1 to this Agreement shall have been satisfied.

Section 6.02. The following is specified as an 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 contractual arrangements referred to in Section 3.01 (a) of this Agreement and any Subsidiary Loan Agreements presented to the Bank for purposes of Section 6.01 (b) of this Agreement have been executed and duly authorized by and are legally binding upon the parties thereto in accordance with their respective terms.

Section 6.03. The date of September 7, 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 Director General 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:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Banco Nacional de Obras  
y Servicios Publicos, S.N.C., I.B.D.  
Insurgentes Norte 423  
Mexico, D.F. 06900  
Mexico

Cable address:

BANTECARIO  
Mexico City

Telex:

BNDSME  
01772619  
Mexico City

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ping-Cheung Loh  
Acting Regional Vice President  
Latin America and the Caribbean

BANCO NACIONAL DE OBRAS Y SERVICIOS  
PUBLICOS, S.N.C., I.B.D.

By /s/ German Sandoval  
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	9,600,000	42%
(2) (a) Equipment (including equipment rehabili- tation, spare parts and replace- ment parts)	20,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 65% of local expenditures
(b) Dredges (including equipment rehabili- tation, spare parts, replace- ment parts and auxiliary plant equipment)	7,800,000	
(3) Consultants' services	1,700,000	100%
(4) Unallocated	10,000,000	
TOTAL	<u>50,000,000</u>	

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 Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor;

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor; and

(c) the term "ex-factory" shall be deemed to include ex-shipyard.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$5,000,000, may be made on account of payments made for expenditures before that date but after August 1, 1988; (b) payments for expenditures incurred in carrying out Part A.1 of the Project, unless the Bank shall have received evidence, satisfactory to the Bank, that (i) the Subsidiary Loan Agreement between the Borrower and SEPOG, and (ii) the Action Plan Arrangement between the Guarantor, acting through SCT, and SEPOG have been entered into; (c) payments for expenditures incurred in carrying out Part A.2 of the Project, unless the Bank shall have received evidence, satisfactory to the Bank, that (i) the Subsidiary Loan Agreement between the Borrower and SEPOM, and (ii) the Action Plan Arrangement between the Guarantor, acting through SCT, and SEPOM have been entered into; (d) payments for expenditures incurred in carrying out Part A.3 of the Project, unless the Bank shall have received evidence, satisfactory to the Bank, that (i) the Subsidiary Loan Agreement between the Borrower and SPTA, and (ii) the Action Plan Arrangement between the Guarantor, acting through SCT, and SPTA have been entered into; and (e) payments for expenditures incurred in carrying out Part A.4 of the Project, unless the Bank shall have received evidence, satisfactory to the Bank, that the SERPOVER Arrangements have been entered into by SERPOVER and the Guarantor, acting through SCT.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) improve port efficiency through the rehabilitation and modernization of port operations, infrastructure and equipment; (b) improve equipment management and maintenance; (c) assist in the improvement of the efficiency of dredging operations; (d) introduce appropriate port costing systems and improve the ports' financial situation; and (e) strengthen port investment planning and port management.

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

#### Part A: Port Rehabilitation and Equipment

1. At the Port of Guaymas. (a) Construction of a new control building and installation of lighting for the container terminal; levelling, paving and striping for the container storage area; repairs of railway tracks; rehabilitation of the utilities systems; relocation of a transit shed; and (b) acquisition and/or rehabilitation of equipment for the handling of container, break-bulk general cargo and grain.

2. At the Port of Manzanillo. (a) Rehabilitation of the utilities systems; striping of the container storage area and port area; and (b) acquisition and/or rehabilitation of equipment and facilities for handling and transit storage of containers, break-bulk cargo and grain.

3. At the Port of Tampico-Altamira.

AA. At Tampico: (a) construction of marine protection works at the mouth of the Panuco river and to the south of the harbor; construction of mooring and fendering systems; construction of sheds and storm drainage on the wharves; installation of paving on the wharves; improvements to access road; and (b) acquisition and/or rehabilitation of equipment for handling general cargo; acquisition of aids to navigation.



BB. At Altamira: (a) improvements to access road; completion of access railway; construction of an extension of 250 meters to the container wharf, including necessary dredging and construction of an adjoining container yard, an equipment maintenance shop, a control building and an apron on the existing consolidation shed; and (b) acquisition of container handling equipment.

4. At the Port of Veracruz. Lowering of pipelines from the "PEMEX" terminal near entrance of existing container terminal; construction of bridge at same site for accessing container yard at west side of site; rehabilitation of break-bulk and container handling equipment; and acquisition of container and grain handling equipment.

Part B: SEDRA

Rehabilitation and modernization of the basic fleet of trailing suction hopper dredges and cutter suction pipeline dredges; acquisition and utilization of auxiliary vessels and craft, measuring equipment and spare parts; carrying out and implementing studies of nationwide dredging needs and of strengthening SEDRA's management and planning capacity for future needs.

Part C: Technical Assistance

Carrying out of: (a) studies to assist SEDRA to implement the SEDRA Action Plan; (b) a cost-benefit study of relocating bulk traffic facilities from the Panuco river to Altamira; (c) assistance in the preparation and implementation of equipment maintenance programs; (d) assistance in developing port management accounting systems; and (e) supervision of construction of major civil works.

\* \* \* \*

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 February 15 and August 15	
beginning February 15, 1994 through August 15, 2003	2,500,000

\* 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	0.20
---------------------------	------

before maturity	
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

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

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the United Mexican States 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

Procurement in accordance with local competitive bidding procedures, satisfactory to the Bank, may be utilized for the following contracts:

(a) contracts for the construction of civil works and estimated to cost an amount not exceeding the equivalent of \$1,000,000 per contract, up to an aggregate amount equivalent to \$13,800,000;

(b) all contracts for the rehabilitation of civil works, up to an aggregate amount equivalent to \$3,900,000; and

(c) all contracts for the rehabilitation of equipment (other than dredges), up to an aggregate amount equivalent to \$2,900,000.

##### Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$500,000 or more and each contract for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Bank pursuant to said paragraph 3, shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of the Guarantee Agreement.

2. 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.

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories 1 through 3 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 "Initial Deposit" means an amount equivalent to six million (\$6,000,000) to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 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. The Borrower shall make withdrawals from the Special Account for payments of Eligible Expenditures on the basis of the evidence that the Bank shall have reasonably determined, and shall debit the Special Account with the amount in dollars so withdrawn or with the dollar equivalent of the currency other than dollars in which the payment was made, determined on the basis of the rate of exchange between the dollar and such currency in effect: (i) on the date each payment shall have been made, if the payment has taken place within 90 days before the date on which the withdrawal from the Special Account has been requested; or (ii) on the date each payment shall have been made, if such payment was made prior to the date of this Agreement and the replenishment of the Special Account therefor is requested within ninety (90) days after such payment has become eligible for financing out of the Loan; or (iii) on the date each withdrawal shall have been made from the Special Account.

3. The Bank may, at the request of the Borrower, withdraw on

behalf of the Borrower from the Loan Account and deposit into the Special Account the Initial Deposit. Thereafter, and on the basis of requests by the Borrower furnished to the Bank at such intervals as the Bank shall specify, the Bank shall further so withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account for Eligible Expenditures, but only to the extent that the amount of any such deposit, together with any amount remaining on deposit in the Special Account as of the date of such request, shall not exceed, in the aggregate, the equivalent of the Initial Deposit. Except as the Bank may otherwise agree, each such deposit after the Initial Deposit 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. Prior to or at the time of each request by the Borrower for a deposit by the Bank into the Special Account after the Initial Deposit, the Borrower shall furnish to the Bank in respect of each payment made by the Borrower out of the Special Account, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, when the total unwithdrawn amount of the Loan allocated to the Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Initial Deposit, the Bank shall be entitled, after consultation with the Borrower, to reduce the percentage of disbursements for Eligible Expenditures or take any other action which will ensure the Bank that by the time of disbursements of the total amount of the proceeds of the Loan, all deposits (including the Initial Deposit made by the Bank into the Special Account) were made for Eligible Expenditures.

6. (a) If the Bank shall have determined that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible for financing by withdrawal from the Loan Account; or (ii) was not justified by the documentation furnished pursuant to paragraph 4 above, the Bank shall notify the Borrower of such circumstances, and if, after a period of 30 days from the issuance of such notice, an amount equal to the amount of such payment or the portion thereof not so eligible or justified has not been deposited by the Borrower into the Special Account or, if the Bank shall so request, refunded to the Bank, the Bank may, without in any way restricting or limiting any other rights, power, or remedy of the Bank under this Agreement, refrain from making further deposits into such Account.

(b) If 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, and unless otherwise agreed by the Bank, refund to the Bank such amount then outstanding in the Special Account for crediting to the Loan Account and immediate cancellation.

