

CONFORMED COPY

LOAN NUMBER 3573 AL

Loan Agreement

(Basic and Secondary Education Support Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

AND DEVELOPMENT

Dated July 15, 1993

LOAN NUMBER 3573 AL

LOAN AGREEMENT

AGREEMENT, dated July 15, 1993, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "BAD" means the Borrower's Algerian Development Bank (Banque Algerienne de Developpement), established and operating pursuant to the Borrower's Ordinance No. 71-47, dated June 30, 1971, as the same may be amended from time to time;

(b) "CAMEMD" means the Borrower's Center for Procurement and Maintenance of Equipment and Pedagogic Materials (Centre d'Approvisionnement et de Maintenance des Equipements et des Moyens Didactiques) within MEN (as this term is hereafter defined), established and operating pursuant to the Borrower's Executive Decree No. 86-291, dated December 9, 1986, as the same may be amended from time to time;

(c) "Banque d'Algerie" means the Borrower's central bank, established and operating pursuant to the Borrower's Law No. 90-10, dated April 14, 1990, as the same may be amended from time to time;

(d) "Fiscal Year" means the fiscal year of the Borrower commencing on January 1 and ending on December 31;

(e) "IPN" means the Borrower's National Pedagogic Institute (Institut Pedagogique National) within MEN, (as this term is hereafter defined) established and operating pursuant to the Borrower's Executive Decree No. 62-166 dated December 31, 1962, as the same may be amended from time to time;

(f) "MEN" means the Borrower's Ministry of National Education;

(g) "PMU" means the Project Management Unit to be established in accordance with the provisions of Section B of Schedule 5 to this Agreement;

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

(i) "Wilaya" means an administrative division of the Borrower organized pursuant to the Borrower's Wilaya Law (Loi Relative la Wilaya) No. 90-09, dated April 7, 1990.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of forty million dollars (\$40,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in Banque d'Algerie 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 March 31, 2001, 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower

shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on June 15 and December 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.

Section 2.08. (a) BAD is hereby 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 upon the foregoing, the Borrower hereby entrusts BAD with the 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.

ARTICLE III

Execution of the Project

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

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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. (a) Except as provided in paragraph (b) of this Section, the Borrower and the Bank shall, not later than November 30 of each year until completion of the Project, jointly carry out an annual review to (i) assess progress in Project implementation achieved during the twelve (12) preceding months; and (ii) discuss plans to be carried out and measures to be taken in the course of the twelve (12) following months to facilitate the attainment of Project objectives; and

(b) not later than November 30, 1997, the Borrower and the Bank shall jointly carry out a mid-term review to assess overall progress toward achieving Project objectives.

Section 3.04. The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank for its review and comments, the study referred to under Part A.5 of the Project, not later than December 31, 1994; and

(b) exchange views with the Bank with respect to the recommendations of said study and, thereafter, implement such recommendations of the study as shall have been agreed upon between the Borrower and the Bank in light of the above-mentioned exchange of views in accordance with a timetable acceptable to the Bank.

Section 3.05. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement, and for purposes of ensuring adequate funding for investment and recurrent costs under the Project, the Borrower shall, for each Fiscal Year until completion of the Project, take all measures necessary on its part to release funds from the Borrower's budget in a timely manner and in such amounts as shall be necessary for the effective implementation of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than 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; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

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) that the Borrower has issued invitations to submit proposals or bids, as the case may be, for the provision of (i) training under Part A.4 (d) of the Project; (ii) consultants' services under Parts A.4 (d) and B (iii) of the Project; (iii) pedagogic materials under Parts A.1, A.4 (a) and A.4 (d) of the Project; and (iv) equipment under Part A.4 (d) of the Project; and

(b) that PMU has been established in accordance with the provisions of Section B of Schedule 5 to this Agreement.

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

Representative of the Borrower; Addresses

Section 6.01. The Minister of Economy 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:

Ministry of Economy
Government Palace
Algiers
Democratic and Popular Republic of Algeria

Cable address:	Telex:
FINPLAN Algiers	67073

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	248423 (RCA) 82987 (FTCC) 64145 (WUI) or

197688 (TRT)

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.

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

By /s/ Nourvedine Zerhouni

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser

Regional Vice President
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 Expenditures to be Financed
(1) Pedagogic materials and equipment (including spare parts)	33,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Consultants' services and training	3,000,000	100%
(3) Unallocated	4,000,000	
TOTAL	40,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The Project is part of the Borrower's program to improve the quality and efficiency of basic and secondary education. The objective of the Project is to commence implementation of a long-term strategy to enhance the quality of pupils' learning achievements and the efficiency of resource utilization in the Borrower's basic and secondary education system through (i) the introduction of a pilot system to assess learning outcomes and quality in basic and secondary education; (ii) strengthening the quality of pedagogic research programs and staff training; and (iii) improving supply and effective use of pedagogic materials in schools.

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

Part A: Pedagogic Materials, Equipment and Training

1. Provision of pedagogic materials to about (a) ten thousand five hundred (10,500) existing grade 1 to 6 schools; and (b) two thousand five hundred (2,500) grade 1 to 6 schools, seven hundred fifty (750) grade 7 to 9 schools and two hundred fifty (250) secondary schools under construction.
2. Provision of training, through locally organized seminars, to teachers at the schools mentioned in sub-section 1 above on the effective use of the pedagogic materials.
3. Provision of equipment to the grade 7 to 9 schools and secondary schools referred to in Part A.1 above.
4. Provision of (a) school science and technology laboratory products to about three thousand five hundred (3,500) grade 7 to grade 9 and secondary schools; (b) equipment to rehabilitate CAMEMD's storage and redistribution facilities; (c) training to CAMEMD staff on the handling and redistribution of the laboratory products referred to in paragraph (a) above; and (d) spare parts, equipment, updated technical documentation, a computerized information and maintenance system, training and consultants' services to CAMEMD to strengthen and improve its school maintenance services.
5. Carrying out of a study to improve the maintenance and safety standards of pedagogic materials and equipment used in the Borrower's basic and secondary education schools.

Part B: Learning Assessment and Quality and Efficiency Evaluation

Provision of consultants' services, equipment and training to DOE and six (6) selected COSPs to (i) develop and introduce, on a pilot basis in six (6) selected Wilayas, a national learning assessment system; (ii) improve existing pupil testing, orientation and selection procedures through the training of national experts and the creation of computerized test-item banks; (iii) develop six main groups of standardized quality and efficiency indicators, including indicators of internal and external efficiency; and (iv) disseminate the information on the new assessment techniques, formats and practices to the education community.

Part C: Pedagogic Research Programs

1. Provision of consultants' services to IPN to (a) carry out pedagogic research programs for the design and evaluation of curricula and lay-out of schoolbook texts; and (b) assist in the dissemination of curriculum research results in the education community through, inter alia, the organization of local training seminars for Wilaya-based staff and the distribution of a newsletter.
2. Provision to IPN of (a) equipment and training to strengthen its institutional capabilities; and (b) about five thousand (5,000) new pedagogic research books, journals and periodicals to strengthen its library and documentation services.

* * *

The Project is expected to be completed by September 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 15, 1997	940,000
June 15, 1998	975,000
December 15, 1998	1,010,000
June 15, 1999	1,050,000
December 15, 1999	1,085,000
June 15, 2000	1,130,000
December 15, 2000	1,170,000
June 15, 2001	1,215,000
December 15, 2001	1,260,000
June 15, 2002	1,305,000
December 15, 2002	1,355,000
June 15, 2003	1,405,000
December 15, 2003	1,455,000
June 15, 2004	1,510,000
December 15, 2004	1,565,000
June 15, 2005	1,625,000
December 15, 2005	1,685,000
June 15, 2006	1,745,000
December 15, 2006	1,810,000
June 15, 2007	1,880,000
December 15, 2007	1,950,000
June 15, 2008	2,020,000
December 15, 2008	2,095,000
June 15, 2009	2,175,000
December 15, 2009	2,255,000
June 15, 2010	2,330,000

* 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

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two redisclosed correction factors set forth in the bidding documents and acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for equipment shall be grouped into bid packages estimated to cost the equivalent of one million dollars (\$1,000,000) or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the territory of the Borrower 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

Sundry items, such as technical documentation, library books and equipment for PMU, estimated to cost the equivalent of two hundred fifty thousand dollars (\$250,000) or less per contract, up to an aggregate amount equivalent to four million dollars (\$4,000,000), may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers who may be from two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of two hundred fifty thousand dollars (\$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, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding sub-paragraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out Parts A.2, A.4 (c), A.4 (d), B, C.1 and C.2 (a) of 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 (the Consultant Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than fifty thousand dollars (\$50,000) equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to seventy five thousand dollars (\$75,000) equivalent or above.

SCHEDULE 5

Implementation Program

A. Project Implementation

1. The overall responsibility for Project implementation shall be vested in MEN which shall (a) directly carry out Part B of the Project; and (b) carry out Part A of the Project through CAMEMD and Part C of the Project through IPN.

2. Without prejudice to the provisions of paragraph 1 above, and in order to achieve the objectives of Part B of the Project, MEN shall cause six (6) school orientation and selection centers, to be selected from six (6) different Wilayas, to assist in the carrying out of Part B (iv) of the Project.

B. Project Management and Coordination

1. In order to ensure proper Project management and coordination, the Borrower shall establish PMU within MEN with funding at levels, and membership and administrative staff whose qualifications and experience shall be, satisfactory to the Bank. Members of PMU shall meet at least once every six (6) months and shall include a Project director (the "Project Director").

2. The functions of PMU shall include responsibility for (a) overall administration and supervision of Project activities; (b) coordination of Project procurement activities; (c) following-up with BAD on the preparation and maintenance of Project accounts; (d) organizing the annual reviews referred to in Section 3.03 (a) of this Agreement and the mid-term review referred to in Section 3.03 (b) of this Agreement; and (e) preparing and furnishing to the Bank semi-annual and other progress reports on Project implementation.

3. In discharging its Project administration duties, PMU shall (a) develop an annual work program in consultation with the appropriate agencies of the Borrower; and (b) annually prepare, for MEN's approval, a draft recurrent and investment budget for all Project activities financed by the Borrower.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to two million five hundred thousand dollars (\$2,500,000) to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

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

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

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible

expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

