

CONFORMED COPY

LOAN NUMBER 7113-UR

Loan Agreement

(Third Basic Education Quality Improvement Project)

between

REPUBLICA ORIENTAL DEL URUGUAY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated June 17, 2002

LOAN NUMBER 7113-UR

LOAN AGREEMENT

AGREEMENT, dated June 17, 2002, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and REPUBLICA ORIENTAL DEL URUGUAY (the Borrower).

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

(B) the Project will be carried out by ANEP (as defined below) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ANEP the proceeds of the Loan as provided in this 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 and in the Project Agreement of even date herewith between the Bank and ANEP;

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 Fixed-Spread Loans" of the Bank dated September 1, 1999 (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) "ANEP" means the national administration of public education (*Administración Nacional de Educación Pública*) established pursuant to Law. No. 15.739 (as hereinafter defined);

(b) "CEP" means ANEP's primary education council (*Consejo de Educación Primaria*);

(c) "General Operational Manual" means the manual referred to in Section 2.01 (b) of the Project Agreement;

(d) "Law No. 15.739" means Ley No. 15.739 of the Borrower, dated March 28, 1985, published in the official gazette (*Diario Oficial*) on April 25, 1985, which established, inter alia, ANEP, as such law has been amended to the date of this Agreement;

(e) "PCU" means the project coordination unit established in ANEP pursuant to ANEP's Resolution No. 57 (February 2, 1994), ratified in ANEP's Resolution No. 35 (October 27, 1998), and ratified in ANEP's Resolution No. 40 (December 27, 2001) for the execution of this Project;

(f) "PME" means any of the education improvement project (*proyectos de*

mejoramiento educativo) to be carried out by an eligible School Development Commission under Part B.2 of the Project;

(g) “PME Grant” means any of the grants of up to \$5,000 equivalent per year to be given to a School Development Commission under Part B.2 of the Project;

(h) “PME Grant Agreement” means the agreement referred to in Section 2.04 (b) of the Project Agreement to be entered into between a School Development Commission and ANEP for the execution of Part B.2 of the Project;

(i) “PME Operational Manual” means the manual referred to in Section 2.01 (c) of the Project Agreement;

(j) “Project Agreement” means the agreement between the Bank and ANEP of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(k) “Project 4381-UR” means the project covered by a loan agreement entered into between the Borrower and the Bank on October 6, 1998 (as amended) and a project agreement entered into between ANEP and the Bank on October 6, 1998;

(l) “School Development Commission” means any of the commissions (*comision de fomento escolar*) provided for in Article 5 of the Borrower’s Law No. 8012 of October 28, 1926 and Resolution No. 7 (Act No. 997) of the Borrower’s CEP of November 4, 1993;

(m) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(n) “Subsidiary Agreement” means the agreement to be entered into between the Borrower and ANEP pursuant to Section 3.01(b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to said Subsidiary Agreement.

Section 1.03 Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to ANEP.

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 forty two million Dollars (\$42,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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: (i) the reasonable cost of goods, works and

services required for the Project and to be financed out of the proceeds of the Loan; (ii) the front-end fee referred to in Section 2.04 of this Agreement; and (iii) any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in its Central Bank 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. The President of ANEP (or such other person or persons as such President shall appoint in writing) is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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, without limitation or restriction upon any of its other obligations under the Loan Agreement shall cause ANEP to perform in accordance with the provisions of the Project Agreement all the obligations of ANEP therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ANEP to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall transfer, on a grant basis, the proceeds of the Loan to ANEP under a subsidiary agreement to be entered into between the Borrower and ANEP, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, suspend, abrogate, terminate or waive the Subsidiary

Agreement or any provision thereof.

(d) In case of discrepancy between the provisions of this Loan Agreement and the Subsidiary Agreement or between the Project Agreement and the Subsidiary Agreement, the provisions of this Loan Agreement and the Project Agreement shall prevail.

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 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby 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 to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by ANEP pursuant to Section 2.03 (a) of the Project Agreement.

Section 3.04. The Borrower shall participate in the annual reviews referred to in Section 2.07 (c) of the Project Agreement.

Section 3.05. The Borrower shall not use Loan proceeds to finance textbooks, teachers' salaries or any other non-incremental recurrent costs already financed by the Borrower including, but not limited to, costs financed by the Bank under Project 4381-UR.

Section 3.06. The Borrower shall ensure that as a consequence of the execution of the Project:

(a) no involuntary taking of land (including anything growing on or permanently affixed to land, such as buildings and crops) resulting in: (i) relocation or loss of shelter; (ii) lost of assets or access to assets; or (iii) loss of income sources or means of livelihood (whether or not the affected persons must move to another location) shall take place; and

(b) no involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of displaced persons shall take place.

Section 3.07. Without limitation to the provisions of Section 3.01 above, Borrower shall assist ANEP to:

(a) implement, by not later than June 30, 2005 or such later date as the Bank may agree, the provisions set forth in ANEP's Resolution No. 1, *Acta 392, Circular 441* of November 17, 1999 (especially, paragraphs 3 to 5 of the concluding part of such resolution) in all full-time schools in the Borrower's territory in a manner satisfactory to the Bank;

(b) ensure that, by not later than June 30, 2005 or such later date as the Bank may agree, a management information system –satisfactory to the Bank- be functioning and fully implemented in at least ninety percent of all schools of more than 50 students in the Borrower's territory;

(c) reduce the frequency of textbook publishing reviews;

(d) publish supplementary education materials and carry out in-service teacher

training on environment, public health, race and gender issues in all full-time schools in the Borrower's territory;

(e) disseminate the lessons from the best practice PME's dealing with vulnerable groups, environment and public health among all schools in the Borrower's territory;

(f) establish and maintain throughout Project implementation a mechanism –satisfactory to the Borrower and the Bank- to guarantee timely execution of the Project and an efficient coordination of Project activities between the PCU and the Borrower's central council of the national administration of public education (*Consejo Directivo Central de la Administración Nacional de Educación Pública- CODICEN*), such mechanism to include a consultant with qualifications and functions satisfactory to the Bank;

(g) carry out, not later than in the year 2005, a student performance assessment of all sixth grade students in the Borrower's territory; and

(h) develop, by not later than 6 months after the Effective Date, or such later date as the Bank may agree, an index –satisfactory to the Bank- to track student achievement by income level.

Section 3.08. The Borrower, through ANEP, shall, starting in 2005, participate in an international student assessment for primary education - satisfactory to the Borrower and the Bank - and continue to participate in the Programme for International Student Assessment..

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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) cause ANEP to maintain, in accordance with Section 4.01 of the Project Agreement, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
- (iii) enable the Bank's representatives to examine such records; and

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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, including a separate opinion by said auditors as to whether the Project Management reports or 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; 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

- (a) ANEP shall have failed to perform any of its obligations under the Project Agreement;
- (b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that ANEP will be able to perform its obligations under the Project Agreement; and
- (c) Law No. 15.739 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to materially and adversely affect, in the opinion of the Bank, the ability of ANEP to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified:

- (a) The event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.
- (b) Any of the events specified in paragraph (c) 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) that the Subsidiary Agreement has been executed on behalf of the Borrower and ANEP;
- (b) that the General Operational Manual has been approved by ANEP and the Bank;
- (c) that the PME Operational Manual has been approved by ANEP and the Bank;
- (d) that announcements and tender documents –satisfactory to the Bank- for all procurement activities to be carried out during the first year of Project implementation have been submitted to the Bank; and
- (e) that terms of reference –satisfactory to the Bank- for all studies to be carried out during the first year of Project implementation have been submitted to the Bank.

Section 6.02. The following are specified as additional matters, 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:

- (a) that the Project Agreement has been duly authorized or ratified by ANEP, and is legally binding upon ANEP in accordance with its terms; and
- (b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and ANEP and is legally binding upon the Borrower and ANEP in accordance with its terms.

Section 6.03. The date September 16, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministerio de Economía y Finanzas
Colonia No. 1089
Montevideo, Uruguay

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 (MCI) or
64145 (MCI)

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.

REPUBLICA ORIENTAL DEL URUGUAY

By /s/ Carlos Sténeri

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ David de Ferranti

Regional Vice President
Latin America and the Caribbean

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:

Amount of the Loan Allocated (Expressed in	% of Expenditures
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	<u>Category</u>	<u>Dollars)</u>	<u>to be Financed</u>
(1)	Works (except as covered by Category (2) below)	24,165,000	82%
(2)	Works under Part B.1(vii) of the Project	505,000	32%
(3)	Goods	5,755,000	78%
(4)	Consultants' services (except as covered by Category (5) below and excluding teachers' salaries)	4,570,000	82%
(5)	Training	4,075,000	100%
(6)	Goods, works and services financed by PME Grants	2,310,000	100%
(7)	Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (d) of this Agreement
(8)	Front-end Fee	420,000	Amount due under Section 2.04 of this Agreement
(9)	Unallocated	200,000	
	TOTAL	<u>42,000,000</u>	

2. For the purposes of this Schedule, the following term shall have the following meanings:

“Training” means the reasonable cost of expenditures (other than those for consultants’ services) incurred by ANEP in the carrying out of the training activities under the Project, such as the per-diem and travel cost of the trainees, rental of facilities, seminar or workshop materials, and administrative support.

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 to exceed 300,000 dollars, may be made on account of payments made for expenditures incurred within the twelve months prior to the date of this Agreement but after November 1, 2001;

(b) payments made for a PME Grant, unless ANEP has entered into a PME Grant Agreement with the corresponding School Development Commission under terms and conditions

satisfactory to the Bank, including those set forth in Schedule 2 to the Project Agreement; and

(c) payments made for expenditures under Category (2) above, unless the study and action plan referred in Part B.1 (i) of the Project has been carried out in a manner satisfactory to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$1,000,000 equivalent each awarded under Part C of Section 1 of Schedule 1 to the Project Agreement; (b) goods under contracts costing less than \$250,000 equivalent each, with the exception of the first contract awarded under Part C.1 of Schedule 1 to the Project Agreement costing \$50,000 equivalent or more; (c) consulting services provided by firms under contracts costing less than \$100,000 equivalent each; (d) consulting services provided by individuals under contracts costing less than \$50,000 equivalent each; (e) Training; and (f) PME Grants; all of these, 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 increase the equity, quality and efficiency in the provision of preschool and primary (i.e., ages 4 through 11) education in Uruguay through: (i) the expansion of the full-time school model, focusing on students from socio-economically disadvantaged backgrounds; (ii) the enhancement of the teacher training system and the introduction in the classroom of new teaching and learning instruments; and (iii) an increase in the efficiency of primary education institutions.

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 objective:

Part A: Expansion of the full-time school model

1. Expansion of schools to the full-time school model through: (i) the construction of approximately 540 full-time classrooms in disadvantaged urban communities; (ii) the transformation and/or rehabilitation of approximately 816 urban classrooms from double shift schools into full-time schools; (iii) the rehabilitation of approximately 434 rural classrooms; and (iv) the provision of furniture and kitchen equipment for full-time schools created under the Project.

2. Provision to full-time schools of television sets and audio equipment, computers (including software and screens), pre-school and primary level learning materials, learning materials for bilingual classes, reading books, and textbooks.

3. Provision of: (i) training in the full-time school pedagogical model to approximately 1,800 pre-school and primary school teachers, principals, inspectors, and teachers in administrative positions; (ii) training to approximately 3,700 teachers, principals, and inspectors in new technologies; and (iii) training to approximately 160 teachers in bilingual teaching (the latter, to support a foreign language pilot student training program in approximately 40 full-time schools).

4. Carrying out a program to improve the institutional climate inside schools and to strengthen the relationship between full-time schools not covered under Project 4381-UR and student's families through, inter alia, the carrying out of workshops for parents, and visits to families in conflict situations, and guiding teachers on how to deal with students with behavioral problems. Said program shall include one remunerated junior social worker per school and a central support team consisting of a psychologist and four senior social workers.
5. Expansion of the working hours of teachers in charge of full-time schools.

Part B: Institutional strengthening

1. Improvement of teachers' academic training through: (i) the carrying out of a diagnosis of the pre-service and in-service teacher training programs and the development of an action plan to address the issues identified in said diagnosis (including the main curriculum guidelines); (ii) the development of professional requirements and standards for teachers; (iii) the development and application of pre-service teacher training evaluation instruments; (iv) the revision of the teachers' pre-service training curriculum; (v) the training of teacher trainers on the pre-service training curriculum revised as per (iv) above; (vi) the carrying out of an in-service training program for tutors of teachers in practice (*maestros adscriptores*); and (vii) the improvement of the libraries and physical structure of teacher training institutes.
2. Carrying out of approximately 250 education improvement projects (100 of which shall be focused on environmental and health education) and provision of technical assistance: (i) to the School Development Commissions and teachers for implementation of the PME; and (ii) to the PCU for monitoring thereof, such activities to be financed through grants from ANEP to School Development Commissions.
3. Strengthening the Borrower's education monitoring and evaluation system through: (i) the development and establishment of a research and evaluation division within ANEP; (ii) the carrying out of national evaluations of all students in sixth grade and the participation of some children in international evaluations; (iii) the provision of technical assistance to carry out the evaluations referred in (ii) above; (iv) the establishment and implementation of a school-based management information system which will gather data on teachers, students, and infrastructure; and (v) the carrying out of education studies.
4. (a) Provision of technical assistance to: (i) manage and coordinate the financial and physical execution of the Project (including procurement activities); and (ii) monitor and evaluate the Project.

(b) Provision of office equipment to the PCU.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each April 15 and October 15	
Beginning October 15, 2007 through April 15, 2017	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3), (4), (5), and (6) 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, works 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 the amount of \$4,200,000 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 the amount of \$2,500,000 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 equal or exceed the equivalent of \$2,800,000.

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 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (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 allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.

