

CONFORMED COPY

LOAN NUMBER 4026 MOR

Loan Agreement

Social Priorities Program  
(Coordination and Monitoring of Social Programs, and  
Labor Promotion Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 27, 1996

LOAN NUMBER 4026 MOR

LOAN AGREEMENT

AGREEMENT, dated September 27, 1996, between Kingdom of Morocco (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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) by a loan agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make a loan for the basic health project (the Health Loan Agreement) to assist in the financing of activities related to the Borrower's Social Priorities Program (Barnamaj Al Aoulaouiyat Al Ijtimaiya, hereinafter called the BAJ);

(C) by a loan agreement of even date herewith between the Borrower and the Bank, the Bank has agreed to make a loan for the basic education project (the Education Loan Agreement) to assist in the financing of activities related to the BAJ; 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) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Dirham" means the currency of the Borrower;

(b) "Fiscal Year" means the twelve month period starting July 1 and ending June 30 of the following calendar year;

(c) "Observatory" means the observatory for monitoring living conditions established within the statistical department of the Ministry of the Borrower responsible for Population;

(d) "Promotion Nationale" means an institution under the Ministry of Interior of the Borrower, created by a Dahir of July 15, 1961 and responsible for labor-intensive public works program;

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

(f) "Secretariat" means the unit within the Borrower's Department of Programming of the Ministry of Population responsible for the monitoring and coordination of the BAJ;

(g) "Selected Provinces" mean the provinces of Ouarzazate, Taroudant, Tiznit, Al Haouz, Chichaoua, Essaouira, Safi, Azilal, Chefchaouen, Sidi Kacem, Al Hoceima, El Kelaa Sraghna and Taza; and

(h) "Project and Program Indicators" mean the indicators agreed upon by the Borrower and the Bank.

## 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 twenty-eight million dollars (\$28,000,000), 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 may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its General Treasury on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003 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 May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

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 its Ministry responsible for Interior and its Ministry responsible for Population with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial 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, 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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

### ARTICLE IV

#### Financial Covenants

Section 4.01. (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 (6) months after the end of



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.

KINGDOM OF MOROCCO

By /s/ Mohamed Kabbaj

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis

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 lump-sum or percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	Lump-sum or % of Expenditures to be Financed
(1) Civil Works:		
(a) for activities listed under paragraph 2 (c) below	14,000,000	lump-sum in accordance with paragraph 2 (c) below
(b) for activities not listed under paragraph 2 (c) below	1,000,000	100% of foreign expenditures and 70% of local expenditures
(2) Equipment	6,000,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultants' services, surveys and training	5,000,000	100%
(4) Unallocated	2,000,000	
TOTAL	28,000,000 =====	

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;

(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; and

(c) the term "lump-sum" means for each activity listed below and eligible under Category 1 (a) of the table under paragraph 1 above, the corresponding amount per unit, expressed in Dirhams, to be disbursed under the Loan:

Category 1 (a): Civil works

Activities	Lump sum disbursement
Water wells and water related works	45,000
Communal ablution blocks	35,000
Dams	60,000
Community centers	220,000
Dirt roads (per km)	60,000
Reforestation (per hectare)	15,000

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, except that withdrawals in an aggregate amount not exceeding the equivalent of \$2,800,000 may be made on account of payments made for expenditures twelve (12) months before that date.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) expenditures for activities listed under paragraph 2 (c) above irrespective of the value of the contracts pursuant to which such expenditures are incurred; and (b) for expenditures under contracts costing less than \$500,000 equivalent for works and goods and \$100,000 equivalent for services of consulting firms and \$50,000 equivalent for services of individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to improve basic infrastructure and reduce unemployment in rural areas of Selected Provinces, to coordinate Program activities, to strengthen the monitoring of socioeconomic standards of the population, and to raise awareness of social issues.

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: Promotion Nationale

1. Selected strengthening of supplemental works to upgrade the Program's education and health activities through Promotion Nationale.
2. Participation of Promotion Nationale to literacy campaigns in long-term and large-scale construction sites.
3. Strengthening the monitoring capacity of Promotion Nationale through the implementation of an integrated program management and geographical information system, the acquisition of equipment

thereof and the delivery of training workshops.

Part B: Statistical Monitoring

1. Establishment of an Observatory within the Department of Statistics of the Ministry of the Borrower responsible for Population to monitor household living conditions and analyze the effects of social policy measures on the well-being of the population, and acquisition of equipment, computers, office furniture and vehicles thereto.

2. Carrying out of a living standards measurement survey to establish key socioeconomic indicators for the planning, monitoring and analysis of economic and social policies and programs, acquisition of equipment, computers and supplies for regional mobile teams, and support for field work.

Part C: Coordination, Monitoring and Evaluation of the Program

1. Institutional support to the Secretariat of the Social Strategy Monitoring Committee of the Borrower's Ministry responsible for Population to enable such Secretariat to assist said Committee in the coordination, monitoring and evaluation of the Program.

2. Establishment by the Secretariat of an integrated program management and geographical information system.

3. Carrying out of surveys and impact assessment studies on the Program.

4. Organization of training and sensitization workshops.

5. Technical strengthening of the Secretariat through the provision of equipment and computers, office furniture and vehicles.

\* \* \*

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule\*

Date Payment Due	Payment of Principal (expressed in dollars)
November 15, 2001	545,000
May 15, 2002	560,000
November 15, 2002	580,000
May 15, 2003	600,000
November 15, 2003	625,000
May 15, 2004	645,000
November 15, 2004	665,000
May 15, 2005	690,000
November 15, 2005	715,000
May 15, 2006	740,000
November 15, 2006	765,000
May 15, 2007	790,000
November 15, 2007	820,000
May 15, 2008	850,000
November 15, 2008	880,000
May 15, 2009	910,000
November 15, 2009	940,000
May 15, 2010	975,000
November 15, 2010	1,005,000
May 15, 2011	1,045,000
November 15, 2011	1,080,000
May 15, 2012	1,115,000
November 15, 2012	1,155,000
May 15, 2013	1,195,000
November 15, 2013	1,240,000



May 15, 2014	1,280,000
November 15, 2014	1,325,000
May 15, 2015	1,370,000
November 15, 2015	1,420,000
May 15, 2016	1,475,000

\* 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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

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

##### Part A: General

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

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods other than furniture shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of

this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) (i) Furniture, and (ii) other goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent for both, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works may be procured under contracts awarded in accordance with the provision of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which are of a proprietary nature and costing \$500,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$500,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works and goods estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

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

## Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## SCHEDULE 5

### Implementation Program

#### 1. The Borrower shall:

(a) monitor and evaluate on an ongoing basis, in accordance with adequate procedures and indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference to be agreed between the Borrower and the Bank, and furnish to the Bank, on or about June 30, 1999: (i) a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, including an evaluation of the activities of the Observatory and a review of its status; and (ii) a multisectoral summary report prepared by the Secretariat on progress achieved by the Program; and

(c) review with the Bank, by December 31, 1999, or such later date as the Bank shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, as shall have been agreed between the Borrower and the Bank.

2. Without limitation upon the provisions of paragraph 1 above, the Borrower shall, starting in 1997 and by September 30 of each year, submit to the Bank: (a) an annual implementation report including: (i) a review of progress achieved in the implementation of the Project based on the Project and Program Indicators; (ii) projected

sector and Project expenditures for the year; and (iii) activities programmed under the Project in the Selected Provinces; and (b) a qualitative assessment of progress achieved in the execution of the Program prepared by the Secretariat on the basis of the sectoral reports.

3. The Borrower shall furnish to the Bank for its review and comments by March 31, 1997, an action plan comprising measures to improve procurement, payment and disbursement procedures of the Borrower, and start implementation, not later than October 31, 1997, of those measures that shall have been agreed with the Bank.

4. The Borrower shall, not later than December 31, 1996: (i) appoint a BAJ coordinator within the Ministry of Interior; and (ii) take all necessary measures for the appointment of a BAJ focal point in each one of the Selected Provinces.

5. The Borrower shall cause the Secretariat to: (i) launch, together with the Ministries of the Borrower responsible for Interior, Employment and Social Affairs, Health and Education, not later than December 31, 1997, an integrated program management and geographic information system, with appropriate staffing therefor; and (ii) initiate two beneficiary assessments, the first one to be concluded before the preparation of the report for mid-term review referred to under paragraph 1 (b) (ii) above, and the second one to be concluded by completion of the Project.

6. The Borrower shall, starting with its Fiscal Year 1996/1997, earmark the expenditures for the activities financed under the Project in the respective budgets of the Ministry of Interior and Population.

7. The Borrower shall take all necessary measures to reduce, by December 31, 2000, the share of Promotion Nationale's activities devoted to urban community works to 20% of its budget.

#### SCHEDULE 6

##### 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 "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$9,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower

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

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

