

CONFORMED COPY

LOAN NUMBER 3015 AR

(Tax Administration Technical Assistance Project)

between

THE ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 30, 1989

LOAN NUMBER 3015 AR

LOAN AGREEMENT

AGREEMENT, dated March 30, 1989, between THE ARGENTINE REPUBLIC (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;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "Annual Action Program" means the annual program of actions to be prepared and furnished to the Bank by the Borrower through the DGI pursuant to Section 3.05 of this Agreement;

(b) "DGI" means Direccion General Impositiva, the Borrower's Directorate of Tax Administration;

(c) "Executing Agency" means the DGI;

(d) "fiscal year" means the fiscal year of the Borrower beginning on January 1 and ending on December 31 of each year;

(e) "Project Director" means an official appointed by DGI to exercise overall supervision of the execution of the Project and referred to in Section 3.01 (b) (v) of this Agreement;

(f) "Executive Director" means an independent consultant employed by DGI to coordinate the execution of the Project and referred to in Section 3.01 (b) (v) of this Agreement;

(g) "Executive Unit" means a unit established by DGI, headed by the Executive Director, integrated by the Component Directors (as such term is hereinafter defined) to coordinate the execution of each of the parts of the Project;

(h) "Component Director" means each of the Directors appointed, or employed, by DGI to manage and supervise the execution of each of the parts of the Project and referred to in Section 3.01 (b) (v) of this Agreement;

(i) "Project Preparation Advance Facility" means the project preparation advance facility granted by the Bank to the Borrower pursuant to an exchange of letters dated November 11, 1988 and November 23, 1988 between the Borrower and the Bank;

(j) "Management Service Contract" means the agreement referred to in Section 3.02 (a) of this Agreement;

(k) "SH" means Secretaria de Hacienda, the Borrower's Secretariat of the Treasury;

(l) "VAT" means Impuesto al Valor Agregado, the Borrower's value added tax established under Ley 23349, dated 25 August 1986; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to herein, an amount in various currencies equivalent to six million, five hundred thousand U.S. dollars (\$6,500,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for 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 U.S. dollars a special account at 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 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance Facility withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance Facility shall

thereupon be cancelled.

Section 2.03. The Closing Date shall be September 30, 1991 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 per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

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

(c) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 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 DGI, with due diligence and efficiency and in conformity with appropriate administrative 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, the Borrower shall ensure that DGI, until the Closing Date, carries out its functions and responsibilities in respect of the Project in a manner satisfactory to the Bank, such functions and responsibilities to include, inter alia, the following:

- (i) the development of a computerized database in relation to the Borrower's 2,000 largest taxpayers and supervising the implementation of adequate measures to prevent tax avoidance and to promote tax compliance by such taxpayers through use of the computerized database;
- (ii) implementing and monitoring a new internal auditing system which shall include a training program for current employees of the DGI and the employment of external and independent auditors for the purpose of an initial six-month internal auditing program and thereafter preparing an auditing program for 1990 satisfactory to the Bank;
- (iii) providing new computing equipment and the training of DGI personnel in its use;
- (iv) preparing annual reports on the progress of the Project; and

(v) maintaining a Coordinating Commission, a Project Director, and an Executive Unit, headed by an Executive Director and with functions satisfactory to the Bank, and Directors (the Component Directors) for the managing and supervision of each of the parts of the Project. The Executive Director and each of the Component Directors shall have qualifications and functions satisfactory to the Bank.

(c) 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 satisfactory to the Bank.

Section 3.02. (a) The Borrower through DGI shall enter into contractual arrangements (the Management Service Contract) satisfactory to the Bank, with an agent or agents acceptable to the Bank for handling the procurement and acquisition of new computing equipment for use in the DGI under Part F of the Project.

(b) The Borrower through DGI shall exercise its rights under the Management Service Contract in such a manner as to protect the interest of the parties to this agreement and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Management Service Contract or any provision thereof.

Section 3.03. (a) Not later than April 30, 1989, the Borrower, through DGI, shall provide to the Bank a list of key indicators applicable to information available within DGI and satisfactory to the Bank, to be used in improving DGI's internal auditing and management.

(b) Not later than each subsequent October 31 and April 30, until the Closing Date, the Borrower through DGI shall furnish to the Bank a written report of such scope and detail as the Bank shall reasonably request containing an evaluation of the performance of DGI through such key indicators during the preceding period of January 1 through June 30 or July 1 through December 31, as the case may be. In addition, the Borrower shall issue such report, within 90 days from the Closing Date, as to the period between the last date covered by such semi-annual report and the Closing Date.

Section 3.04. The Borrower through DGI (i) will promptly upon the completion of the internal auditing program for 1989, constituting Part D (iv) of the Project, provide to the Bank the results of such auditing program; (ii) shall afford the Bank a reasonable opportunity to comment on said results, and (iii) shall take into account the Bank's comments thereon in connection with the preparation of the auditing program for 1990 satisfactory to the Bank constituting Part D (v) of the Project.

Section 3.05. The Borrower shall prepare and furnish to the Bank, through the DGI, not later than September 1 of each year, for its review and agreement, an Annual Action Program containing the objectives, activities, institutional arrangements and anticipated results of the execution of each part of the Project in the immediately following fiscal year.

Section 3.06. The Borrower through DGI shall: (i) carry out the studies included under Parts D and E of the Project described in Schedule 2 to this Agreement under terms of reference satisfactory to the Bank which, unless the Borrower and the Bank shall otherwise agree, shall include specific programs or plans of action to meet the objectives of the Project; (ii) promptly after completion of each such study, furnish to the Bank a copy of its findings and recommendations including such programs or plans of action; (iii) afford the Bank a reasonable opportunity to comment on such findings, recommendations and programs or plans of action; (iv) where appropriate, taking into account the Bank's comments thereon, prepare and carry out programs or plans of action satisfactory to the Bank to implement the recommendations of such studies as required to meet the objectives of the Project as set forth in Schedule 2 to this Agreement; and (v) shall carry out the recommendations of the study included under Part C of the Project which it regards as appropriate and feasible for attaining said objectives of the Project.

Section 3.07. (a) 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.

(b) Notwithstanding the provisions of paragraph (a) above and without limitation thereto, the acquisition of any goods required for the Project by means of leasing arrangements, as well as the acquisition of computer software by means other than purchase, shall be carried out under procedures satisfactory to the Bank.

(c) Public servants employed by the Borrower under any kind of administrative arrangements (including leave without pay) shall not be eligible during the term of employment by the Borrower, for providing consulting services to be financed out of the proceeds of the Loan.

(d) The Borrower shall maintain in DGI qualified staff in adequate number as counterparts of the consultants employed under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate 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 (including DGI) 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 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 four 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 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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that any party shall have failed to perform its obligations under a Management Service Contract or other contractual arrangement in respect of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the

following additional event is specified:

(a) the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower.

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 Borrower shall have entered into the Management Service Contract;

(b) that the Borrower shall have employed all the consultants referred to in Section II paragraph 2 (a) of Schedule 4 to this Agreement; and

(c) that all action has been taken by the Borrower in order to permit the procurement of goods and services to be financed out of the proceeds of the Loan in accordance with the provisions set forth or referred to in this Agreement.

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 Management Service Contract has been duly executed and authorized or ratified by the parties thereto, and is legally binding upon such parties in accordance with its terms;

(b) that the action referred to in paragraph (b) of Section 6.01 of this Agreement has been taken and no other action on behalf of the Borrower is required for the procurement of goods, works and services in accordance with the provisions of this Agreement.

Section 6.03. The date June 28, 1989, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Economy 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 Economia
Hipolito Yrigoyen 250
Buenos Aires
Argentina

Cable address:

Telex:

Ministerio Economia
Baires

121952

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.

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

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.

THE ARGENTINE REPUBLIC

By /s/ Carlos Marcelo Da Corte

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ping-Cheung Loh

Acting Regional Vice President
Latin American 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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Technical Assistance (including Consultants' Services and contract hiring)	1,380,000	100%
(2) Training, consisting of teaching materials and consultants' services	1,268,000	100% of foreign expenditures and 35% of local expenditures
(3) Computer equipment (Purchase and leasing)	1,362,000	100% of foreign expenditures and 15% of local expenditures
(4) Computer software	974,000	100%
(5) Refunding of Project Preparation Advance Facility	732,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	784,000	
TOTAL	6,500,000	

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, except that withdrawals in an aggregate amount not exceeding the equivalent of \$300,000, may be made in respect of Categories (1) to (4), inclusive, an account of payments made for expenditures before that date but after November 1, 1988.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase the efficiency of DGI by expanding its tax inspector staff and modernizing its equipment; (b) reevaluate and develop the internal and external auditing techniques and the restructuring of DGI training, for adaptation for the future needs of the DGI; and (c) generate data for budget and economic management.

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

Part A: Control of Tax Compliance

Development of a program to monitor and increase the control of tax compliance by the 2,000 largest taxpayers for VAT, income and capital taxes, including the development of a computerized database to be utilized jointly by the DGI and the SH aimed at increased control by the DGI of the taxpayers and the provision of information in relation thereto.

Part B: Inspectors and Programmers at DGI

A program to increase the volume of annual tax inspections through the hiring and training of about 600 new tax inspectors and approximately 50 computer analysts and programmers to raise, inter alia, the number of on-site inspections of corporate taxpayers.

Part C: Training

A program to improve DGI's training facilities, practices and resources including: (i) carrying out a study of the training needs of DGI and establishing a program of development of DGI's internal training unit; (ii) enhancement of DGI's in-house training capabilities; (iii) induction and technical training courses to new tax inspectors; and (iv) development and delivery of courses to provide additional training and special skills to DGI staff.

Part D: Development of Internal Auditing of DGI

A program to strengthen the process of internal auditing of the DGI and to provide for the development of procedures for internal auditing, a program of training of the established internal auditing force, and the performance of auditing through the use of independent external auditors, including: (i) a study to select initial priority areas for internal auditing and, among them, units in which the pilot program under paragraph (iv) below shall be carried out on the organizational structure and auditing requirements of the DGI; (ii) the review of existing auditing procedures and development of additional auditing procedures; (iii) the training of existing personnel in the newly-developed auditing procedures; (iv) a six-month internal auditing pilot program with assistance from external auditors to be executed during 1989; and (v) the preparation of an auditing program for 1990 based on the findings of the auditing program for 1989 referred to in item (iv) above.

Part E: Development of Tax Inspection Techniques

A program to develop methods of tax inspection by the DGI involving (i) the

acquisition of software to audit computerized corporate taxpayers; (ii) a study to evaluate existing tax inspection techniques and to develop additional ones; and (iii) the training of DGI officials in the use of such techniques.

Part F: Acquisition of new Computing Equipment

Acquisition of new computing equipment for purposes of (i) decentralized gathering and checking of information; (ii) adoption of standard software for the execution of certain tasks; and (iii) provision of portable computing equipment for tax inspectors. The foregoing shall include the acquisition, distribution and installation throughout the DGI of 200 machines and a training course in computer application for approximately 1,000 DGI personnel.

* * * *

The Project is expected to be completed by March 31, 1991.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 1 and October 1 beginning October 1, 1994 through April 1, 2004	325,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20

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

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

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 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Argentina 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

Goods or groups of goods estimated to cost less than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers 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 all goods procured under Part A to this Section I, 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 5 to this Agreement.

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

2. The figure of 10% 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 the carrying out 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.

2. Without limitation to the foregoing, the Borrower shall employ consultants for, inter alia, (a) (i) coordinating the administration of the Project; (ii) handling the recruitment of the new tax inspectors and programmers for DGI under Part B of the Project; and (iii) handling the contracting of consultants to advise in relation to the internal auditing of DGI and the development of DGI's internal auditing program under Part D of the Project; and (b) not later than March 31, 1989, for: (i) training of the new tax inspectors for DGI under Part C of the Project; and (ii) handling the review and development of tax inspection techniques under Part E of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) to (4) inclusive 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 US\$2,300,000 to be withdrawn from the Loan Account and deposited into 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 made 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.

