

CONFORMED COPY

LOAN NUMBER 3384 BUL

(Technical Assistance for Economic Reform Project)

between

REPUBLIC OF BULGARIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated July 22, 1991

LOAN NUMBER 3384 BUL

LOAN AGREEMENT

AGREEMENT, dated July 22, 1991, between REPUBLIC OF BULGARIA (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) the Borrower has contracted and intends to further contract from European Community (EC) grants to support its economic development programs and has agreed with the EC to allocate out of the proceeds of said grants an amount equivalent to about \$13,000,000 (the EC Grant) to assist in financing the Project, on the terms and conditions set forth in agreements (the EC Grant Agreements) entered, or to be entered, into between the Borrower and EC;

(C) the Know How Fund for Eastern Europe established by the Government of the United Kingdom has agreed to assist the Borrower in financing the Project through the provision of advisory and expert services required for the carrying out of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

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

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

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

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

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

(a) "PCC" means the Project Coordinating Committee established by the Council of Ministers of the Borrower pursuant to a Protocol Decision dated June 10, 1991;

(b) "PIU" means the Project Implementation Unit to be established within the Borrower's Ministry of Finance pursuant to Section 3.02 (a) of this Agreement;

(c) "MOF" means the Borrower's Ministry of Finance;

(d) "BNB" means the Bulgarian National Bank;

(e) "MITS" means the Borrower's Ministry of Industry, Trade and Services;

(f) "MESS" means the Borrower's Ministry of Employment and Social Security;

(g) "MSHE" means the Borrower's Ministry of Science and Higher Education;

(h) "MOH" means the Borrower's Ministry of Health;

(i) "MOE" means the Borrower's Ministry of Education;

(j) "MFER" means the Borrower's Ministry of Foreign Economic Relations;

(k) "AEPD" means the Borrower's Agency for Economic Programming and Development established within the Borrower's Council of Ministers pursuant to Decree No. 79 issued by the Council of Ministers on May 3, 1991;

(l) "CNA" means the Borrower's Council of Normative Acts established pursuant to Protocol No. 2 issued by the Borrower's Council of Ministers on January 5, 1991;

(m) "PA" means the Borrower's Privatization Agency established pursuant to Decree No. 16 issued by the Borrower's Council of Ministers on February 8, 1991;

(n) "Committee on Energy" means the Committee established pursuant to Ordinance No. 2604 issued by the State Council of the Borrower on November 22, 1989;

(o) "DMC" means the Debt Management Committee, an interministerial committee, established pursuant to Decision No. 4 issued by the Borrower's Council of Ministers of January 16, 1991;

(p) "CSO" means the Borrower's Central Statistics Office established by Ordinance No. 626 issued by the State Council of the Borrower on February 25, 1986;

(q) "Bulgargas" means the Borrower's state enterprise responsible for the procurement, sale and distribution of natural gas established pursuant to Court Registration No. 115, dated March 15, 1990, in the City Court of Sofia;

(r) "Project Agencies" means, collectively, the ministries and entities referred to in paragraphs (b) through (q) of this Section; and

(s) "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 in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventeen million dollars (\$17,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in the Bulgarian National Bank a special deposit account in dollars on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1994, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower 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 semiannually on March 15 and September 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. 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 or cause the Project to be carried out, through the respective Project Agencies in accordance with the provision of the Annex to Schedule 2 to this Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) For the purpose of overall administration of the activities to be carried out under the Project and the procurement of goods and services required therefor, the Borrower shall establish, under terms of reference satisfactory to the Bank, within MOF a project implementation unit, to be assisted by a qualified and experienced project implementation advisor, with such powers, responsibilities, functions and staff as shall be necessary for the proper execution of the Project.

(b) The Borrower shall, until completion of the Project, maintain the PCC with such composition and functions as shall ensure the proper overall coordination in the carrying out of the Project.

Section 3.03. The Borrower shall, not later than December 31, 1991: (a) for the purpose of overseeing the design and development of the strategy for privatization of state enterprises referred to under Part A (1) of the Project, establish and thereafter maintain a steering group under the chairmanship of a Deputy Prime Minister which shall include among its members the Ministers of MOF and MITS and the President of PA; and (b) for the purpose of overseeing the carrying out of Part A (5) of the Project, establish and thereafter maintain within MITS a steering group which shall include representatives of concerned ministries and agencies of the Borrower.

Section 3.04. 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.

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 Project Agencies and other departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

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

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

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that:

(a) subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; and

(b) paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower

from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower shall have furnished to the Bank evidence satisfactory to the Bank that the EC Grant has been allocated for the purposes of the Project and that all conditions precedent to the right of the Borrower to withdraw the proceeds thereof have been fulfilled; and

(b) the PIU shall have been established pursuant to the provisions of Section 3.02 (a) of this Agreement and the project implementation advisor referred to therein shall have been appointed.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of 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:

Ministry of Finance  
102 Rakovski Street  
Sofia 1040  
Republic of Bulgaria

Cable address:

MINISTRY OF FINANCE  
Sofia

Telex:

22727

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (RCA),  
82987 (FTCC),  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF BULGARIA

By /s/ Ivan Kostov

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ W.A. Wapenhans

Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods	1,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Consultants' Services	9,400,000	100% of foreign expenditures
(3) Training	1,200,000	100%
(4) Unallocated	4,600,000	
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TOTAL	17,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,000,000, may be made in respect of Category (2) on account of payments made for

expenditures before that date but after May 1, 1991.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to strengthen the Borrower's institutions and agencies responsible for the carrying out of the Borrower's stabilization and structural reform programs and to provide the necessary technical support and training required for that purpose.

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: Private Sector Development; Enterprise Privatization and Restructuring

- (1) The design and development of a strategy for the privatization of state enterprises.
- (2) The development of guidelines for the operations of PA and implementation of a program defining the structure, staffing needs and budgetary requirements of PA.
- (3) The carrying out of a limited number of operations of privatization of state enterprises, and the development of plans for the management of privatization operations falling outside the jurisdiction of PA.
- (4) The provision of training to the staff of PA and other concerned agencies and of equipment needed for the operations of PA.
- (5) The development and implementation of a legal and organizational framework for state enterprises and the definition of the structure of their management, and the development of reporting and performance monitoring systems applicable to their operations.
- (6) The development of a strategy, and an implementation program thereunder, for the privatization and restructuring of industrial enterprises, and the preparation of restructuring programs for at least three industrial subsectors and five industrial enterprises to be selected in accordance with criteria satisfactory to the Bank.
- (7) The establishment of a legal and institutional framework for business activities comprising legislation and regulations governing, inter alia, property, corporations, competition, bankruptcy and public procurement, the provision of legal advisory services and legal training, the establishment of a legal reference library and the provision of equipment necessary for the foregoing.
- (8) The development and introduction of a modern accounting and auditing system, the carrying out of a program for the development of the accounting and auditing profession and the provision of training and study tours.

#### Part B: Bank Restructuring and Reform

- (1) The carrying out of a study of the structural issues pertaining to the Borrower's banking system.
- (2) The carrying out of diagnostic and institutional development studies of selected banks.
- (3) The provision of advisory services to the Banking Supervision Department of BNB for the purposes of auditing banks' loan portfolios and training bank inspectors.
- (4) The provision of advisory services to support banks' management.
- (5) The carrying out of a feasibility study for the establishment of an institute for the training of bankers, and the provision of training to the staff of banks.



(6) The design and development of a modern payments clearing system.

Part C: Human Resources Development

(1) The design and development of a program for the strengthening and modernization of the Borrower's social security system, the provision of training and fellowships to the staff responsible for said system and the provision of equipment.

(2) The design and development of a program for the reform of the Borrower's social welfare system, including the carrying out of a review of pertinent legislation, the establishment of social indicators and the improvement of social workers' training.

(3) The design and development of a program to remove impediments to the performance of the education sector, including the development of an achievement measurement system, the carrying out of student tracer studies, the development of proposals for system management, standard-setting, teacher-training, school design and construction techniques, foreign language teaching and book development and the formulation of plans for the improvement of the management and funding practices of educational and scientific research institutions.

(4) The design and development of a program for the improvement of the management of the health system at the national and regional levels, the provision of training and the development of a system for comprehensive health screening procedures and the provision of equipment required for the carrying out of such screening procedures.

(5) The design, development and implementation of a program to strengthen employment services and small business development, including the carrying out of necessary studies, and the provision of data processing equipment to support a modern labor market information system.

(6) The design and development of a program for management of training systems, the carrying out of study tours, the establishment and equipping of a model regional training center.

Part D: Energy

The carrying out of studies of the power generation sector, the potential for expansion of the use of gas and of the safety and environmental aspects of the use of nuclear power.

Part E: Institutional Development

The provision of advisory services and assistance to the Borrower's ministries and agencies in areas critical to the Borrower's economic reform programs consisting of:

(1) The provision of advisory services and equipment to MFER for the carrying out of a comprehensive review of the trade policy regime.

(2) The provision of advisory and expert services to support MOF in the areas of domestic debt management, tax control, government audit, accounting and management of MOF and other areas, relevant to MOF's responsibilities, selected in agreement with the Bank.

(3) The provision of advisory services and equipment to AEPD to support macro-economic policy development.

(4) The provision of advisory services to assist DMC in the development of a debt strategy.

(5) The carrying out of a study to assess the needs of CSO for computer hardware and software, and based on the findings and recommendations of said study, the provision of recommended hardware and software.

Part F: Project Implementation

The provision of advisory services to the PIU for the purposes of Project implementation.

Responsibility for the execution of the various components of the Project shall be assigned to the respective Project Agencies as set forth in the Annex to this Schedule.

\* \* \*

The Project is expected to be completed by December 31, 1993.

ANNEX TO SCHEDULE 2

Project Agencies Responsible for  
Execution of the Project

	Project Component	Agency
Part A (1)	Privatization of state enterprises	Council of Ministers
Part A (2), (3) and (4)	Privatization of state enterprises	PA
Part A (5)	State enterprise management	MITS/MOF
Part A (6)	Restructuring of industrial enterprises	MITS
Part A (7)	Development of legal framework for business activity	CNA
Part A (8)	Accounting and auditing	MOF
Part B	Bank restructuring and reform	BNB
Part C (1) and (2)	Social security and welfare	MESS
Part C (3)	Education	ME/MSHE
Part C (4)	Health	MOH
Part C (5)	Employment services	MESS
Part C (6)	Training	MESS
Part D	Energy	Committee on Energy/ Bulgargas
Part E (1)	Trade policy regime	MFER
Part E (2)	Advisory services	MOF
Part E (3)	Support for macro-economic policy development	AEPD
Part E (4)	Debt strategy	DMC/MFER
Part E (5)	Statistical support	CSO

## SCHEDULE 3

## Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On March 15 and September 15 beginning March 15, 1997 through March 15, 2008	710,000
On September 15, 2008	670,000

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

## Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18

More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, computer equipment 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).

2. To the extent practicable, contracts for computer equipment shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

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

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

1. Items or groups of items of goods estimated to cost the equivalent of more than \$50,000 but less than \$300,000 per contract, up to an aggregate amount equivalent to \$1,200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Items or group of items estimated to cost the equivalent of less than \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be awarded on the basis of comparison of price quotations obtained from 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 each contract estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph,

the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

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

## Section II. Employment of Consultants

In order to assist the Borrower in 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.

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (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 in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account

and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

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

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

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

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

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

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

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

