

LOAN NUMBER 3070 YU

LOAN AGREEMENT

(Slovene Coast Water Supply and Sewerage Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

DO RIZANSKI VODOVOD KOPER - RIZANA WATER WORKS

Dated February 1, 1990

LOAN AGREEMENT

AGREEMENT, dated February 1, 1990 between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank) and DO RIZANSKI VODOVOD KOPER (RIZANA WATER
WORKS) (the Borrower).

WHEREAS (A) the Socialist Federal Republic of Yugoslavia
(the Guarantor) and the Borrower, having been satisfied
as to the feasibility and priority of the Project
described in Schedule 2 to this Agreement, have requested
the Bank to assist in the financing of the Project;

(B) Parts A, B, C and D of the Project will be
carried out by the Borrower;

(C) Part E of the Project will be carried out by
Opcina -Koper (the Municipality of Koper), Opcina - Izola
(the Municipality of Izola), and Opcina - Piran (the
Municipality of Piran) (individually, Municipality, and
collectively, Municipalities) pursuant to agreements to
be entered into between the Borrower and the
Municipalities;

(D) by an agreement (the Guarantee Agreement) of
even date herewith between the Guarantor and the Bank,
the Guarantor has agreed to guarantee the obligations of
the Borrower in respect of the Loan and to undertake such
other obligations as set forth in the Guarantee
Agreement; and

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

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 and in
the Preamble to this Agreement have the respective

meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Area" means the area serviced by the Borrower;

(b) "Borrower's Statutes" means the Borrower's self-management agreement and statutes dated June 7, 1984 pursuant to which the Borrower has been established and is operating, as the same may be amended from time to time;

(c) "Social Accounting Service" means the Sluzba Drustvenog Knjigovodstva referred to in paragraph (5) of Article 281 of the Guarantor's Constitution;

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

(e) "fiscal year" means the fiscal year of the Borrower starting on January 1 and ending on December 31.

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 thirty-two million dollars (\$32,000,000), 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 Parts A, B, C and D of the Project, open and maintain in dollars a special account in a commercial 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.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 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 Guarantor and 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 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 Parts A, B, C and D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall enter into an agreement, on terms and conditions satisfactory to the Bank, with each Municipality pursuant to which each such Municipality shall carry out its respective part of Part E of the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B, C and D of 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

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial and engineering practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE V

Financial and Other Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by the Social Accounting Service or another competent and experienced independent auditing organization acceptable to the Bank;
- (ii) furnish to the Bank as soon as possible, but in any case not later than eight months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) 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, accounts and financial statements as well as 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, 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.

Section 5.02. Without limitation upon the provisions of Section 5.01 of this Agreement, the Borrower shall, not later than March 15 and September 15 of each year, furnish to the Bank a report, prepared in a format satisfactory to the Bank, on the financial performance of the Borrower during the preceding calendar semester.

Section 5.03. The Borrower shall: (a) not later than December 31, 1990, carry out, on the basis of terms of reference satisfactory to the Bank, a study of its tariff structure;

(b) not later than March 31, 1991, consult with the Bank on the findings and recommendations of such study; and

(c) promptly thereafter, take all measures necessary to obtain the approval of the agreed recommendations of such study and put into effect a revised tariff structure.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 1988, a ratio of total operating expenses to total operating revenues not higher than eighty percent (80%).

(b) Before March 15 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, ascertain whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 2.5% per annum of the average current gross value of the Borrower's fixed assets in operation, or other basis acceptable to the Bank, excluding interest and other charges on debt.
- (ii) The term "total operating revenues" means revenues from all sources related to operations.
- (iii) The average current gross value of the Borrower's fixed assets in operation shall be calculated as one half of the sum of the gross value of the Borrower's fixed assets in operation at the beginning and at the end of the fiscal

year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 5.05. Except as the Bank shall otherwise agree, the Borrower shall exclude from its investment program for any fiscal year capital expenditures (excluding the expenditures for the Project) that would cause its average annual expenditures from 1989 to the fiscal year in question to exceed the equivalent of \$5,000,000.

Section 5.06. The Borrower shall, not later than December 31, 1994, carry out an action plan, on the basis of a format and schedule satisfactory to the Bank, for reducing the level of unaccounted-for water.

Section 5.07. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, not later than March 15 and September 15 of each year, furnish to the Bank a report, prepared in a manner satisfactory to the Bank, on progress in implementation of the Project during the preceding calendar semester.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Any of the Municipalities shall have failed to perform any of its obligations under the agreements referred to in Section 3.01 (b) of this Agreement.

(b) The Borrowers Statutes and any law of the Guarantor pertaining to the operations of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of the Borrower or the ability of the Borrower to perform any of its obligation under this Agreement.

(c) The Guarantor or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of its operations.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, the events specified in paragraphs (b) and (c) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the agreements between the Borrower and the Municipalities referred to in Section 3.01 (b) of this Agreement have been executed on behalf of the Borrower and the Municipalities.

Section 7.02. The following is specified as an additional matter, 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, namely, that the agreements referred to in Section 7.01 of this Agreement have been duly authorized or ratified by the Borrower and the Municipalities and are legally binding upon the Borrower and the Municipalities in accordance with their terms.

Section 7.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The General Manager of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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

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

For the Borrower

DO Rizanski Vodovod Koper
Ulica 15. Maja 13, p.o.b. 154
66000 Koper
Yugoslavia

Telex

32454

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ E. Lari

Acting Regional Vice President
Europe, Middle East and North Africa

DO RIZANSKI VODOVOD KOPER
(RIZANA WATER WORKS)

By /s/ J. Kulisic

Authorized Representative

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) Works (except for Part E of the Project)	11,000,000	100% of foreign expenditures and 30% of local expenditures
(2) Goods (except for Part E of the Project)	16,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services, training and Project-related foreign travel (except for Part E of the Project)	2,000,000	100% of foreign expenditures and 50% of local expenditures
(4) Unallocated	3,000,000	
TOTAL	32,000,000	

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 Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor;

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor; provided, however, that if the currency of the Guarantor is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "Project-related foreign travel" means travel undertaken by the staff of the Borrower to visit works of a similar nature to the Project and to inspect equipment for the Project during manufacture.

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 (1), (2) and (3) on account of payments made for expenditures before that date but after June 1, 1988.

SCHEDULE 2

Description of the Project

The objectives of the Project are as follows: (i) to eliminate existing water shortages in the Project Area; (ii) to provide additional water supply capacity needed for expansion of the tourism industry and growth in domestic and industrial/commercial demand in the Project Area; (iii) to reduce unaccounted-for water in the Rizana Water Works distribution network; (iv) to protect existing water sources and coastal tourist areas from pollution; and (v) to increase efficiency in the delivery of water supply and sewerage services in the Project Area.

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: Water Supply and Treatment

- (1) Construction of source works to increase the available water supply at Rizana from 300 l/sec to about 650 l/sec.
- (2) Expansion of the Rizana water treatment plant from 200 l/sec to about 800 l/sec with provision of expansion in the future to about 2,600 l/sec.
- (3) Planning and investigations for the development of future water sources.

Part B: Water Transmission and Storage

- (1) Construction of a raw water pipeline from the Rizana source works to the Rizana water treatment plant.
- (2) Construction of a treated water pipeline from the Rizana water treatment plant to Koper, including modifications to the Pobegi pump station.
- (3) Construction of a treated water pipeline from Koper to Izola, including construction of a tunnel and the St. Mark's Hill pumping station.
- (4) Construction of distribution storage totalling about 15,000 m³.
- (5) Provision and installation of equipment for a supervisory control and data acquisition (SCADA) system.

Part C: Water Distribution

- (1) Rehabilitation and replacement of networks in the old town centers of Koper, Izola and Piran.
- (2) Improvement of pumping station control systems.
- (3) Establishment of waste control districts.

Part D: Institutional Strengthening of the Borrower

- (1) Provision of technical assistance for the reduction of unaccounted-for water.
- (2) Carrying out a study of the Borrower's tariff structure.
- (3) Provision of operation and maintenance equipment, including instrumentation for water loss control.
- (4) Provision of training courses and materials for the training of personnel.

Part E: Sewerage

- (1) In the Municipality of Piran, construction of a pumping station and forcemain for connecting the old town of Piran sewerage network to the Piran sewage treatment plant.
- (2) In the Municipality of Izola: (a) construction of a relief sewer in the old town of Izola connecting the new town area with the main sewage pumping station; and (b) rehabilitation and expansion of the main sewage pumping station in the old town of Izola.
- (3) In the Municipality of Koper: (a) upgrading and expansion of the Koper sewage treatment plant from a preliminary treatment plant to a primary treatment plant with a population equivalent capacity of about 100,000; (b) construction of a sea outfall for the disposal of treated sewage from the Koper sewage treatment plant; and (c) construction of a collector sewer from the Iplas and Lama factories to the main sewerage network.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1994 through May 15, 2004	1,600,000

* The figure in this column represents 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
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	expressed as a percentage per annum) applicable to the Loan on
the	day of prepayment, multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works 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. Foreign contractors and suppliers shall not be required to register in Yugoslavia as a prerequisite for submitting bids. In the event that registration shall be required after a foreign contractor or supplier has been notified that he will be awarded a contract, the respective Borrower shall facilitate the registration.

3. Each contract for goods and works shall include a provision that the respective Borrower shall take all measures necessary on its part to enable contractors and suppliers to import equipment and materials and specialized manpower as required to carry out their services.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Yugoslavia 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. Goods estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to

the Bank.

2. Works estimated to cost less than the equivalent of \$1,500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$10,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory 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 for goods estimated to cost the equivalent of \$200,000 or more and for works estimated to cost the equivalent of \$500,000 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, such procedures shall be modified to ensure a conformed copy 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 5.01 (c) (ii) of this Agreement.

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 carrying out Parts A, B, C and D 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 Parts A, B, C and D of 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 \$3,000,000 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 for Parts A, B, C and D of the Project, 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 Parts A, B, C and D of 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 for Parts A, B, C and D of the Project 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; (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, return 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.

