

CONFORMED COPY

LOAN NUMBER 3641 POL

Loan Agreement

(Forest Development Support Project)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 31, 1993

LOAN NUMBER 3641 POL

LOAN AGREEMENT

AGREEMENT, dated August 31, 1993, between REPUBLIC OF POLAND (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 whose purposes, are to support the implementation of the "Program of the Development of Selected Forestry Branches and Protection of Ecosystems in National Parks for 1993-1997", has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from the European Investment Bank (EIB) a loan (the EIB Loan) to assist in financing 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Fiscal Year" means the Borrower's fiscal year beginning January 1 of each year;

(b) "GDSF" means the Borrower's General Directorate of State Forests;

(c) "MEPNRF" means the Borrower's Ministry of Environmental Protection, Natural Resources and Forestry;

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

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

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

(g) "Special Account" means either the MOF Special Account or the GDSF Special Account as the case may be.

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 one hundred forty-six million dollars (\$146,000,000), 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 United States dollars two special deposit accounts, the MOF Special Account and the GDSF Special Account, each in a bank acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000 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 February 15 and August 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.

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 under the supervision of MEPNRF with due diligence and efficiency and in conformity with appropriate administrative, environmental, financial and forestry practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall enter into a Financing Agreement with GDSF on terms and conditions satisfactory to the Borrower and to the Bank.

Section 3.02. Procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement. Without limitation on the foregoing, with respect to the technical assistance for carrying out the Project, the Borrower shall: (a) by December 31, 1993, furnish to the Bank terms of reference satisfactory to the Bank, for such technical assistance, and (b) by June 30, 1994, have obtained the funds for such technical assistance.

Section 3.03. With respect to the equipment (including vehicles) to be purchased for carrying out Part B of the Project, the Borrower shall prepare and furnish to the Bank by June 30, 1994, a plan for the selling and/or leasing of such equipment (including vehicles) to private owners (legal and natural persons), which plan shall be satisfactory to the Bank.

Section 3.04. The Borrower will ensure that forest management activities within all national parks will follow the plans of national park protection developed as a result of the Project.

Section 3.05. The Borrower shall ensure that all active ingredients used in any agrochemicals proposed to be used in implementing the Project will comply with relevant standards as published by the Food and Agriculture Organization. A list of such ingredients shall be furnished in sufficient time for the Bank to review and comment thereon.

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 entities or units 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 each 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

Effective Date; Termination

Section 5.01. 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) in accordance with the provisions of Schedule 5, paragraph 2 of this Agreement, (i) an Office of Project Implementation shall have been established and the Project Coordinator shall have been appointed; and (ii) an Employee of the Board of Polish National Parks shall have been designated to cooperate with the Project Coordinator; and

(b) the Financial Agreement referred to in Section 3.01 (c) of this Agreement shall have been signed.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Ministry of Environmental Protection, Natural Resources and Forestry of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the

purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Environmental Protection,
Natural Resources and Forestry
52/54 Wawelska Street
00-922 Warsaw
Poland

Cable address:

WODRO PL 817157

Telex:

812816
817157

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 POLAND

By /s/ Boguslaw Mozga

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Amount of the Loan Allocated (Expressed in	% of Expenditures
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Category	Dollar Equivalent)	to be Financed
(1) Forest establishment and silviculture activities:		
(a) Intensification of silviculture	18,000,000	20%
(b) Restoration of forests	44,000,000	100%
(c) Afforestation	20,000,000	100%
(2) Protection of eco-systems in national parks	2,000,000	100%
(3) Equipment and materials:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(a) Harvesting, skidding, and transport	26,000,000	
(b) Geographic information systems/management information systems	7,000,000	
(c) Equipment for Genetic Component of the Project	10,000,000	
(d) Equipment for Institutional Development component of the Project	500,000	
(4) Civil works	7,000,000	100%
(5) Technical assistance and training	2,000,000	100%
(6) Unallocated	9,500,000	
	<hr/>	
TOTAL	146,000,000	
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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 to exceed \$10,000,000, may be made on account of payments made for expenditures before that date but after October 1, 1992.

4. Disbursements under Category (1) of this Schedule would be made on the basis of unit costs per hectare to be mutually agreed and to be submitted prior to the planting season or not later than February 28 of each year.

SCHEDULE 2

Description of the Project

The objectives of the Project are: to support the Program of the Development of Selected Forestry Branches and Protection of Ecosystems in National Parks for 1993-1997; to assist in the introduction of economically and environmentally sound management practices in the Borrower's forestry sector; to reduce environmental damage by increasing the vitality and productivity of the Borrower's forests; and to improve the efficiency of forest activities throughout the Borrower's territory.

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: Environmental Forest Management

1. Intensification of silviculture in existing forests:

Pruning (about 38,000 ha), and thinning (about 500,000 ha of under 20 year old trees, and about 300,000 ha of trees between 20-40 years old) by GDSF.

2. Restoration of air-pollution damaged forests:

Restoring about 43,000 ha of forests below 800m in the south and southwest to achieve mixed forest stands using improved technologies, such as soil preparation, suitable species, specially prepared seedlings and other methods.

3. Afforestation:

Afforestation of about 20,000 ha on land owned by the Borrower with an appropriate mix of conifers and broadleaf species.

4. Genetic protection conservation and improvement program:

Development of a nation-wide program of seed storage and extraction and further development of seed orchards.

5. Ecosystem protection in national parks:

(a) Development of comprehensive conservation and land use management plans for the existing 17 national parks and possibly 3-4 new parks, which planning will include public participation and will standardize the policy and institutional frameworks.

(b) Improving infrastructure and management resources, such as visitor and administrative centers, computerization, buffer zone protection, communications and public education.

(c) Developing and implementing professional development and training programs.

(d) Developing financially sound programs for national parks operations and improving environmental management of national parks' buffer zones.

Part B: Harvesting, Skidding and Transport Equipment Modernization

Support for companies, entities and persons in the forest sector in establishing and operating commercial activities by

the provision of modern, efficient, and environmentally sound harvesting, skidding and transport equipment.

Part C: Institutional Development

1. (a) Development of a strategy for environmentally sound forest utilization; (b) completion and implementation of a forest management information system; and (c) strengthening of the Borrower's forestry research program.

2. (a) Establishing and maintaining an Office of Project Implementation within the GDSF including a Section for Privatization of Forestry Services, and (b) strengthening the Division of Trade and Marketing; including the provision of vehicles, equipment, technical assistance and training.

3. Strengthening the financial and forest management capabilities of GDSF and improving forest worker technical training by the provision, inter alia, of technical assistance and training.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 15 and August 15	
beginning February 15, 1999 through February 15, 2010	6,085,000
And on August 15, 2010	6,045,000

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

Premiums on Prepayment

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

Time of Prepayment	Premium
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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 and Works

Part A: International Competitive Bidding

1. 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped into bid packages.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Poland 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 which the Bank agrees are to be supplied through a limited number of sources up to an aggregate amount equivalent to \$5,000,000, may be procured under contracts awarded through limited international bidding procedures in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Contracts for construction/modernization of seed extractories and storage estimated to cost the equivalent of less than \$500,000 per contract, up to an aggregate amount equivalent to \$8,500,000 may be awarded on the basis of

competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Items or groups of items for equipment and materials estimated to cost the equivalent of less than \$300,000 per package, up to an aggregate amount equivalent to \$10,000,000 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.

4. Items or groups of items such as materials, office equipment and supplies estimated to cost the equivalent of \$50,000 or less per package, up to an aggregate amount equivalent to \$500,000, may be procured under contracts 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.

5. Forest establishment and silvicultural activities may be carried out by GDSF through force account.

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 package for goods estimated to cost the equivalent of \$500,000 or more, and for each contract awarded in accordance with paragraph C.1 above, and the first two contracts which exceed \$300,000 equivalent and which are awarded in accordance with paragraph A.1 above, 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 a 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 such 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 a 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 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made 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

1. In order to assist the Borrower in carrying out 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. Notwithstanding the provisions of paragraph 1 of this

Section, the provision of the Consultants Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. The Borrower shall establish and maintain throughout the Project an Office of Project Implementation within the GDSF; and the Borrower shall designate an Officer from the Board of Polish National Parks who would cooperate with the Project Coordinator. The staff of this Office will have the qualifications and experience satisfactory to the Bank and work under terms of reference satisfactory to the Bank.
2. The Borrower shall establish, by December 31, 1993, and thereafter maintain, a Section for Privatization of Forestry Services of the Office of Project Implementation in the GDSF to promote and facilitate privatization of forestry services. Initially, in the areas of logging, skidding and transport, and subsequently in other areas, this Section would promote and provide information sharing and guidance to superintendencies carrying out the process, and disseminate experiences learned from the privatization process. This Section will also prepare a privatization plan for harvesting, skidding and transportation operations by September 30, 1994.
3. The Borrower shall maintain the existing Division of Trade and Marketing at the GDSF level and at the regional level, such Division to improve the dissemination of information for timber marketing and export opportunities; to identify priority areas for marketing activity; and to develop, by September 30, 1994, a price calculation modelling system, in consultation with the Bank.
4. The Borrower shall cause the Forestry Research Institute to develop and carry out monitoring and evaluation of the Project, under terms of reference acceptable to the Bank.
5. The Borrower shall carry out a review of the Project, and on the basis of this review, shall prepare a Report containing future strategic objectives of forestry development in Poland and proposals for implementation of this strategy, and will submit this report for discussion with the Bank no later than June 30, 1995.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1) (b), (1) (c) and (2) in the case of the MOF Special Account, and Categories (1) (a), (3), (4) and (5) in the case of the GDSF Special Account, as 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 \$7,500,000 in the case of the MOF Special Account and an amount equivalent to \$5,000,000 in the case of the GDSF Special Account, to be withdrawn from the Loan Account and deposited in the relevant Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such 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 relevant Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower shall furnish to the Bank requests for deposits into such 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 relevant 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 such 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 a 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 a 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 relevant

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 such 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 a 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 such 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 such 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 a 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 a 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.

