

CONFORMED COPY

LOAN NUMBER 3565 TU

Loan Agreement

(Bursa Water and Sanitation Project - Water Supply and Sewerage)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

BURSA WATER SUPPLY AND SEWERAGE AUTHORITY

Dated March 25, 1993

LOAN NUMBER 3565 TU

LOAN AGREEMENT

AGREEMENT, dated March 25, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BURSA WATER SUPPLY AND SEWERAGE AUTHORITY (the Borrower).

WHEREAS (A) Republic of Turkey (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) 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 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) "Bursa Water Supply and Sewerage Administration Act" means Law No. 3305 of June 5, 1986, as amended to the date of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance provided by the Bank to the Guarantor, pursuant to an exchange of letters dated April 5, 1991 and April 18, 1991 between the Guarantor and the Bank and, thereafter, made available by the Guarantor to the Borrower;

(c) "Action Plan" means the action plan referred to in Section 3.02 of this Agreement;

(d) "fiscal year" means the Borrower's fiscal year beginning January 1 and ending December 31; and

(e) "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 one hundred seventeen million dollars (\$117,000,000), 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 a freely convertible currency acceptable to the Bank a special deposit account in the Central Bank of the Guarantor or a commercial 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, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to

itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 2001 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 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 and the Guarantor 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 and the Guarantor 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 1 and August 1 in each year.

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, public utility and engineering 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 Bank and the Borrower shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. The Borrower shall:

(a) carry out the Action Plan, including a timetable, satisfactory to the Bank, for the purpose of strengthening the Borrower's managerial, operational and financial performance;

(b) not later than September 30 of each year, review with the Bank:

(i) the progress achieved in carrying out said Action Plan; and

(ii) the modifications proposed by the Borrower for updating said Action Plan including, inter alia, the tariff increases required to enable the Borrower to comply with Section 5.02 of this Agreement and to generate sufficient cash revenues to finance the capital expenditures required for the Project as programmed in said Action Plan;

(c) not later than November 30, furnish to the Bank for review and approval modifications proposed for updating said Action Plan in the event the Bank and the Borrower do not reach an agreement on the Borrower's initial proposal pursuant to subparagraph (b) above; and

(d) thereafter carry out said Action Plan as modified in agreement with the Bank.

Section 3.03. The Borrower shall:

(a) not later than May 31, 1993, carry out and review with the Bank an assessment of the Borrower's operational and financial performance during the January 1, 1993 through April 30, 1993 period, including, inter alia, water sales and the adequacy of tariffs and other revenues and operating costs to generate sufficient cash revenues to finance the 1993 capital expenditures as programmed in the Action Plan; and

(b) not later than July 1, 1993, take all necessary measures to meet the requirements for the 1993 capital expenditures.

Section 3.04. The Borrower shall, during detailed design and

construction supervision, carry out a plan, satisfactory to the Bank, for mitigating the environmental impacts of the Project.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### 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 public utility 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 engineering, financial and public utility 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 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 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, (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.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall produce, starting in the 1993 fiscal year, funds for investment internally generated during the current fiscal year, the previous fiscal year and the following fiscal year equivalent to no less than 50% of the Borrower's aggregate capital expenditures incurred during the current and previous fiscal years and the capital expenditures expected to be incurred during the following fiscal year.

(b) Before November 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower

and satisfactory to the Bank, review 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 a copy of such review upon its completion.

(c) If any such 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 rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

- (vii) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations, excluding expenditures financed by the State Hydraulic Works and the Iller Bank.
- (viii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.03. The Borrower shall maintain its system of automatic tariff adjustments each calendar quarter to reflect the inflation, based on the Guarantor's consumer price index, of the preceding calendar quarter.

#### ARTICLE VI

##### Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (b) of the General Conditions, the following additional event is specified, namely, that the Bursa Water Supply and Sewerage Administration Act shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially or adversely effect the ability of the Borrower to carry out the obligations set forth in this Agreement.

#### 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 Borrower shall have selected consultants to assist, through twinning arrangements, in carrying out the institutional development requirements of the Action Plan.

Section 7.02. 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 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:

248423 (RCA)  
82987 (FTCC)

64145 (WUI) or  
197688 (TRT)

For the Borrower:

Bursa Water Supply and Sewerage  
Authority  
Acemler  
Republic of Turkey

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/ M. Wiehen  
Acting Regional Vice President  
Europe and Central Asia

BURSA WATER SUPPLY AND SEWERAGE AUTHORITY

By /s/ A. M. Egilmez  
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) Civil works	67,000,000	47%
(2) Goods	18,000,000	47%
(3) Technical Assistance:		100%
(a) Engineering and Project Management Unit	10,000,000	
(b) Investigation, survey and mapping	4,000,000	
(c) Institutional strengthening and training	8,000,000	
(4) Refunding of Project Prepara-	1,100,000	Amount due pursuant to



tion Advance

Section 2.02 (c)  
of this Agreement

(5) Unallocated 8,900,000

TOTAL 117,000,000  
=====

2. 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 \$3,000,000, may be made in respect of Category (1) on account of payments made for expenditures before that date but after November 1, 1992.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) improve environment conditions and reduce health hazards in the Bursa metropolitan area; (b) improve the institutional arrangements regarding the management of municipal water supply; (c) meet the demand for water supply, sewerage and flood protection services, including the demand from the poor living on the fringes of Bursa; (d) improve the efficiency of water usage by reducing the volume of non-revenue water; and (e) implement appropriate cost recovery policies.

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: Water Supply

- (1) Renovation of existing springs to improve their production capacity and installation of about 35 km of new pipelines.
- (2) Rehabilitation and improvement of existing distribution networks.
- (3) Construction of about 10 new wells to increase the production of well fields and the installation of about three new pumping groups to improve pumping stations.
- (4) Construction of a 30,000 m3 capacity distribution reservoir to provide the storage capacity required for increased water demand.
- (5) Construction of main pipelines totalling about 70 km to extend the supply to new distribution networks and to improve the supply in the existing networks, and extension of existing distribution networks to supply new consumers in new areas covering about 800 ha.

#### Part B: Sewerage

- (1) Extension of the collection networks by constructing new collectors, constructing new collection networks, converting existing networks into stormwater drainage networks and constructing new sewer connections.
- (2) Construction of a wastewater treatment plant located east of Bursa, consisting of pre-treatment works and anaerobic ponds, and construction of a wastewater treatment plant located west of Bursa, using the above pre-treatment facilities and adding activated sludge treatment facilities, both plants to treat and dispose of sewage flows collected by the sewerage networks.

#### Part C: Storm Water Drainage

- (1) Rehabilitation of the existing storm water drainage networks covering about 4,500 ha, including completing the networks, replacing damaged pipes, constructing proper catch pits and manholes

and cleaning the pipes.

(2) Construction of open channel interceptors K1, K3 and K3 of about 9 km in length in south Bursa to prevent clogging of the storm water drainage collection system.

(3) Extension of the collection system by installing about 14 km of collectors and constructing networks in new areas covering about 340 ha.

Part D: Technical Assistance

(1) Provision of technical assistance relating to Project implementation as follows: (a) detailed design and construction supervision for the water supply, sewerage and drainage works; and (b) survey, investigations and mapping of the water supply and sewerage systems.

(2) Provision of technical assistance to strengthen the institutional capacity of the Borrower in: (a) design and implementation of a training program for the managers and staff of the Borrower; (b) design and implementation of a program to increase the volume of water billed as a proportion of water produced; (c) design and implementation of an Asset and Capital Investment Management System; (d) design and implementation of a Recording Management and Information System; and (e) design and implementation of a new water and sewerage tariff schedule.

(3) Provision of technical assistance for the preparation of a feasibility study on a contractual arrangement for the operation of the Bursa water supply and sewerage system.

\* \* \*

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 1 and August 1	
beginning August 1, 1998 through February 1, 2010	4,875,000

\* 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 (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

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 1992 (the Guidelines).

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

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Turkey 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. Civil works estimated to cost the equivalent of \$2,000,000 or less per contract, up to an aggregate amount equivalent to \$15,600,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Maintenance equipment estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$600,000, 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.

3. Maintenance equipment estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount equivalent to \$600,000 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.

##### 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 \$500,000 or more and to each contract for works estimated to cost the equivalent of \$1,000,000 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 6 to 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 the Project, the Borrower shall employ management, financial and engineering 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

#### Implementation Program

##### 1. Project Management Unit

The Borrower shall, until completion of the Project, maintain the Project Management Unit (PMU), on the basis of terms of reference satisfactory to the Bank, for the sole function of administration of the Project with the support of the Borrower's Planning and Investment Department. The PMU shall have such staff and facilities as shall be required to perform its technical and administrative responsibilities under the Project, including a director and not less than two specialists (an engineer and a financial analyst) whose qualifications and experience shall be satisfactory to the Bank. The PMU shall be responsible for, inter alia: (a) the preparation of terms of reference, administration of proposal evaluation and award of contracts for consultants' services and training; and (b) supervision of the work of consultants employed under the Project and the training provided under the Project. The PMU shall also be responsible for monitoring Project implementation and expenditures, preparing withdrawal applications and preparing and furnishing to the Bank reports on Project implementation.

##### 2. Reporting Requirements

The Borrower shall prepare and furnish to the Guarantor and the Bank: (a) not later than 60 days after each calendar quarter ending March 31, June 30, September 30 and December 31, a consolidated report on Project implementation for the preceding calendar quarter covering the physical progress measured against construction and procurement schedules and monitoring indicators acceptable to the Bank; and (b) not later than six months after the date set forth in Section 2.03 of this Agreement, furnish to the Bank the Project completion report.

### SCHEDULE 6

#### 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 \$6,000,000 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.

