

CONFORMED COPY

LOAN NUMBER 3192 TU

(National Education Development Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 18, 1990

LOAN NUMBER 3192 TU

LOAN AGREEMENT

AGREEMENT, dated May 18, 1990, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MOE" means the Ministry of National Education of the Borrower;
- (b) "YOK" means the Council of Higher Education of the Borrower;
- (c) "BOE" means the Board of Education of the Borrower, established within MOE;
- (d) "PTC" means any of the Primary Teachers' Colleges of the Borrower, operating under YOK;
- (e) "ERDC" means the Education Research and Development Center, to be established under Part A (1) (b) of the Project;
- (f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (g) "PCU" means either of the two Project Coordination Units to be established pursuant to Part A of Schedule 5 to this Agreement;
- (h) "Investment Project" means any of the Investment Projects to be carried out by a Faculty of Education of a Turkish university under Part B (2) of the Project;
- (i) "PTESC" means the Primary Teacher Education Steering Committee of YOK, referred to in Part B (2) (a) of Schedule 5 to this Agreement;
- (j) "STESC" means the Secondary Teacher Education Steering Committee, referred to in Part B (2) (b) of Schedule 5 to this Agreement;
- (k) "UFE" means any of the Turkish universities' faculties of education;
- (l) "FRTVC" means the Films, Radio and Television Center of MOE; and
- (m) "IDP" means an institutional development plan, prepared pursuant to Part B (2) (a) of Schedule 5 to 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 ninety million two hundred thousand dollars (\$90,200,000), 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 dollars a special account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1997 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-fourth 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOE and YOK with due diligence and efficiency and in conformity with appropriate financial, administrative and educational 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.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year

in which the last withdrawal from the Loan Account 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, support the related withdrawals.

ARTICLE V

Termination

Section 5.01. 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 Undersecretariat of the Treasury and Foreign Trade 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:

Basbakanlik
Hazine ve Dis Ticaret
Mustesarligi
Bakanliklar, Ankara

Cable address:

MALIYE HAZINE

Telex:

821-42285 (MLYE-TR) or
821-42689 (ANK-TR)

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:

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

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 TURKEY

By /s/ Falih Selekler
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Hans-Eberhard Kcpp
Acting Regional Vice President
Europe, North Africa and Middle East

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) Equipment and materials:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) MOE	45,700,000	
(b) YOK	8,300,000	
(2) Consultants' services and overseas training:		100%
(a) MOE	8,000,000	
(b) YOK	14,800,000	
(3) Unallocated	13,400,000	
TOTAL	<u>90,200,000</u>	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of

\$200,000 may be made on account of payments made for expenditures under Categories (2) (a) and (2) (b) before that date but after January 1, 1990.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the quality of primary and secondary education and of teacher education and to increase the administrative and managerial efficiency in the management and administration of primary and secondary education.

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: Primary and Secondary Education

1. Curriculum Policy and Management:

(a) the undertaking by BOE of a review of the arrangements for planning, developing and updating of curricula, textbooks and instructional materials;

(b) the establishment of ERDC, consolidation into it of the responsibility for review and development of curriculum content, textbooks and instructional materials and adoption by it of an action plan for its activities;

(c) the establishment of a system and procedures for the testing and evaluation in selected schools of changes in curriculum, textbooks and instructional materials prior to their general dissemination;

(d) the introduction of computer literacy and computer aided instruction in grade 10 of selected secondary schools; and

(e) the provision for the schools selected pursuant to paragraph (c) and (d) above of required facilities and equipment.

2. Quality of Textbooks and Instructional Materials:

(a) studies to examine a range of possible specifications to upgrade the physical production quality of textbooks and the merits of adopting a textbook rental system, and to provide appropriate recommendations in connection therewith;

(b) adoption by MOE of appropriate procedures to enable ERDC (i) to assume responsibility for all aspects of the publication phase of textbooks, and (ii) to ensure quality standards in the printing and binding of textbooks, including the initiation by ERDC of a program for textbook development for all grade levels;

(c) training of ERDC's staff in textbook publishing skills;

(d) upgrading and modernizing the design and production of instructional materials (other than textbooks) through the provision of equipment for FRTVC and the training of its staff; and

(e) upgrading the arrangements for the storage and distribution of textbooks and instructional materials through the provision of improved warehousing and handling equipment and facilities, development of a modern computerized system for inventory and for ordering and distribution, improvement of delivery and retailing arrangements, updating overall management procedures, and the provision of technical assistance.

3. Testing and Evaluation:

Improving MOE's technical capability for monitoring and evaluating the quality of education, through (a) merging MOE's

Testing and Evaluation Center into ERDC, (b) development within ERDC of a capability for (i) researching, producing and standardizing tests for establishing national norms on students' cognitive achievement, and (ii) interpretation of achievement test data and for periodically evaluating the quality of the national education system, both to identify gains in the system and to measure it against that of other comparator countries.

4. Studies:

Studies of (a) a teacher testing program to establish base-line data against which to measure improvements in teachers' quality; (b) a school mapping system to determine projected student growth patterns and population trends; (c) the feasibility of including in-service teacher training as a factor in the promotion of education personnel; (d) actual teaching loads and their implication in terms of efficiency and cost saving; (e) the extent of the need for an inventory of instructional equipment and supplies; and (f) the utilization of science laboratories and the advisability of equipping middle schools with science equipment and materials appropriate for teacher demonstrations.

Part B: Teacher Education

Implementation of measures to improve the quality and increase the relevance of teacher education, including:

(1) improving the teacher training programs offered at the PTCs, including (a) basic renovation of facilities, (b) provision of instructional equipment, materials and furniture, and (c) technical assistance and training.

(2) training of middle and secondary school teachers:

Expansion/improvement, on the basis of individual Investment Projects, of the education personnel development programs of the Universities' Faculties of Education (UFEs), including (a) renovation, furnishing and equipping of teaching facilities, (b) technical assistance for curriculum and instructional materials development, staff training and planning, (c) provision of local and overseas training fellowships, (d) provision of resources for copyrights, translation and printing of textbooks for teacher education programs, and (e) carrying out of cooperation arrangements with selected foreign or local institutions.

(3) In-service Teacher Education:

Expanding and strengthening the capacity of the In-service Training Directorate of MOE in assessing teacher training needs and in planning, designing and implementing programs to meet such needs, including (a) preparation of in-service teacher training materials and programs, (b) construction, equipping and staffing of four education resource centers, (c) provision of instructional materials and equipment to support training efforts for about 50,000 teachers per year, and (d) provision of technical assistance and training.

Part C: Management of the Education System

Implementation of measures to improve the administration and management of the education system, including:

(a) the establishment within MOE of a management development unit to advise on and coordinate the training for managers and to assess the individual training needs of managers;

(b) establishment and operation within MOE of a communication program to improve dissemination of information within the education system and increase interaction among its managers;

(c) provision of technical assistance and training to strengthen the capabilities of MOE's Council for Research, Planning and Coordination;

(d) provision of equipment and technical assistance to expand and improve MOE's management information system; and

(e) provision of basic data analysis and processing equipment and technical assistance for MOE's Center for Research in Vocational Technical Education.

* * * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 15 and August 15 beginning August 15, 1995 through August 15, 2006	3,760,000
On February 15, 2007	3,720,000

* 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
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

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).

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. Contracts for educational materials, estimated to cost the equivalent of not more than \$200,000 per contract and \$2,000,000 in the aggregate, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Sundry items of goods estimated to cost not more than the equivalent of \$50,000 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 a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Contracts for proprietary items such as copyrights, computer software and translation rights may be directly negotiated with the owners of such items, provided, however, that, except as the Bank may otherwise agree, the amount of contracts pursuant to this procedure shall not exceed in the aggregate the equivalent of \$4,500,000.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more (except contracts awarded pursuant to paragraph C (3) of this Schedule), 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 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World

Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

A. Project Management

1. MOE shall be responsible for the carrying out of all components of the Project with the exception of Part B (1) and (2) thereof which shall be carried out through YOK. For this purpose, MOE and YOK shall each establish, for the management of their respective activities under the Project, a Project Coordination Unit (PCU) to be responsible for: (a) coordination of the recruitment of experts required for purposes of technical assistance, (b) with respect to the PCU of YOK only, receipt and evaluation of proposals for Investment Projects under Part B (1) and (2) of the Project, (c) organization and management of the procurement of equipment and materials, (d) monitoring, evaluating and reporting on progress in Project implementation, including collection and analysis of Project related data, (e) provision of support to agencies responsible for Project implementation, and (f) maintenance of Project accounts and arranging for the audit thereof.

2. MOE and YOK shall each maintain, until the completion of the Project, the Advisory Committee established by each of them to review progress in Project implementation and to ensure adherence to its objectives.

B. Responsibilities for Project Implementation

1. MOE shall carry out Parts A, B (3) and C of the Project through its ERDC, In-service Teacher Training Directorate, and Administration and Finance Department, respectively, all with the assistance, as required, of the PCU.

2. The pre-service teacher training under Part B (1) and (2) of the Project shall be implemented, with the coordination of the PCU of YOK, by the participating institutions (the PTCs and UFEs), with the assistance (as required) of consultants and in accordance with the following arrangements:

(a) Each PTC desiring to benefit from the facilities included in Part B (1) of the Project, shall be required to submit a detailed institutional development plan (IDP) to YOK secretariat which shall be reviewed by the Primary Teacher Education Steering Committee (PTESC) to be established by YOK, by September 1, 1990, with representatives from YOK and MOE. The PTESC shall review the IDPs, follow-up on their implementation and make recommendations to YOK in connection therewith. Procurement of goods under Part B (1) shall be coordinated by the PCU of YOK, on the basis of approved IDPs, and shall be grouped in as large packages as possible.

(b) Facilities for the training of middle and secondary school teachers under Part B (2) of the Project shall be made available for all the 17 UFEs under the supervision of YOK. The UFE shall be required to submit a proposal for its Investment Project, detailing the areas to be expanded/enhanced in its education personnel development program. These proposals for Investment Projects shall be evaluated, on the basis of agreed criteria, by the Secondary Teacher Education Steering Committee (STESC), to be established by YOK, by September 1, 1990, with representatives from MOE and YOK, and with the assistance of the PCU of YOK and of consultants, as required. Approval of the Investment Project shall be made on the basis of such evaluation and shall be contained in a document specifying the areas for personnel development (mathematics, social studies, natural sciences, counseling and guidance, library science and school administration), a general description of the facilities and equipment needed under the Investment Project and an estimate of the cost thereof, the implementation and procurement arrangements and a time-schedule for

the carrying out of the Investment Project.

C. Particular Requirements

1. The Borrower shall ensure the completion by BOE, by September 1, 1990, of the review referred to in Part A (1) (a) of the Project.

2. The Borrower, acting through MOE, shall ensure (i) that MOE shall complete the assessment of the facilities required under Part (A) (1) (e), and (ii) that funds required for the construction of such facilities shall be provided in a timely manner.

3. The Borrower, acting through MOE, shall ensure the employment, not later than September 1, 1991, of not less than three qualified specialists in tests and measurement to assist in ERDC's activities under Part A (3) of the Project.

4. The Borrower shall ensure, by December 31, 1990, the preparation by the two PCUs and the furnishing to the Bank, for its comments, of a plan for annual assessment of progress in Project implementation.

5. The Borrower and the Bank shall undertake annually a joint review of the Project with a view to agreeing on the resource requirements and action necessary to achieve the objectives of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 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 \$5,000,000 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 para-

graph 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, 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.

