

CONFORMED COPY

LOAN NUMBER 4402-MOR

Loan Agreement

(Fes Rehabilitation Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 10, 1998

LOAN NUMBER 4402-MOR

LOAN AGREEMENT

AGREEMENT, dated December 10, 1998, between KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith (the Commune Urbaine of Fes-Medina Loan Agreement, as hereinafter defined in Section 1.02 (d)) between the Bank and the Commune Urbaine of Fes-Medina, the Bank has agreed to make a loan (the Commune Urbaine Loan) to said Commune Urbaine in an aggregate principal amount of forty million nine hundred thousand French Francs (FRF40,900,000) to assist in the financing of Parts B.1, (c), (d), and (e), B.2; C.1; D; and E.2 of the Project under terms and conditions set forth in the Commune Urbaine of Fes-Medina Loan Agreement;

(C) Parts A; B.1(a) and (b); C.2; E.1; E.3 and E.4 of the Project shall be carried out by the Agency for De-densification and Rehabilitation of the Medina of Fes (ADER-Fes) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to ADER-Fes the proceeds of the Loan as provided in this 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 and in the Project Agreement of even date herewith between the Bank and ADER-Fes;

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 for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Development Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "ADER-Fes" means the Agency of De-Densification and Rehabilitation of the Medina of Fes (Agence pour la Dedensification et la Rehabilitation de la medina de Fes), a Joint Stock Company established pursuant to its Statutes dated June 23, 1989 and registered in the Registry of Commerce under the No. 16775-Fes;

(b) "CDS" means the Community Development Structure (Structure de Developpement Communautaire de Fes) of ADERS-Fes, in charge of managing labor intensive works and contracts aiming at supplying jobs to the poor in the Medina;

(c) "Commune Urbaine" means an administrative municipal sub-division of the Borrower;

(d) "Commune Urbaine of Fes Medina Loan Agreement" means the loan agreement of even date herewith between the Bank and the Commune Urbaine of Fes Medina for the Project;

(e) "Convention" means the agreement entered into between the Borrower's Ministries in charge of the Interior, Culture and Economy and Finance, the Commune Urbaine of Fes-Medina, the Commune Urbaine of Fes-Jedid and ADER-Fes, dated September 1, 1998, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Convention;

- (f) "Dirham" and "DH" mean the lawful currency of the Borrower;
- (g) "Fiscal Year" means the twelve month period corresponding to any of the Borrower's fiscal years, which period starts on July 1st and ends on June 30th in each calendar year;
- (h) "French Francs" and "FRF" mean the lawful currency of the Republic of France;
- (i) "Heritage Center" means the Fes Heritage Center for the promotion of cultural, touristic and heritage activities;
- (j) "Management Fee" means the fees that will be paid to ADER-Fes as the executing agency of the Project, out of the proceeds of the Loan, for technical assistance provided to the Borrower, as provided for in the Convention.
- (k) "Medina of Fes" means the historic city of Fes, including the Communes Urbaines of Fes-Medina and Mechouar Fes-Jedid;
- (l) "MoC" means the Ministry in charge of Culture of the Borrower or any successor thereto;
- (m) "MoF" means the Ministry in charge of Economy and Finance of the Borrower or any successor thereto;
- (n) "MoI" means the Ministry in charge of the Interior of the Borrower or any successor thereto;
- (o) "Project Agreement" means the agreement between the Bank and ADER-Fes of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (p) "Rehabilitation Facility" means a grant facility to assist eligible owners of multi-family dwellings and commercial premises to undertake the upgrading of their buildings within the framework of pilot operations;
- (q) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (r) "Statutes" means the statutes of ADER-Fes, dated June 23, 1989, as amended to the date of this Agreement;
- (s) "Steering Committee" means a committee established, functioning and maintained pursuant to Annex 3 of the Convention, as hereinafter defined; and
- (t) "Technical Committee" means a committee established, functioning and maintained pursuant to Annex 4 of the Convention.

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, an amount equal to forty million nine hundred thousand French Francs (FRF40,900,000).

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, works and services required for Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Parts A; B.1(a) and (b); C.2; E.1; E.3 and E.4 of the Project, open and maintain in Dirham a special deposit account in its General Treasury 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003 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 PIBOR Base Rate plus PIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "PIBOR Base Rate" means, for each Interest Period, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "PIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of PIBOR Base Rate and PIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (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, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause ADER-Fes to carry out Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project with due diligence and efficiency and in conformity with appropriate engineering, environmental, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project.

(b) The Borrower shall, under the Convention and on terms and conditions which shall have been approved by the Bank, make available to ADER-Fes the proceeds of the Loan allocated from time to time to Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project.

(c) The Borrower shall exercise its rights under the Convention in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, shall not assign, amend, abrogate or waive the Convention or any provision thereof.

(d) Without limitations to the provisions of paragraph (a) above, the Borrower shall take all measures necessary on its part to enable ADER-Fes to perform the obligations referred to in paragraph 1 (a) of Schedule 1 of the Project Agreement of even date between the Bank and ADER-Fes, in a manner satisfactory to the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works, and consultants' services required for Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 to the Project Agreement.

Section 3.03. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project shall be carried out by ADER-Fes pursuant to Section 2.04 of the Project Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall, through ADER Fes:

(a) prepare, on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower, through ADER-Fes, on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditures, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and all other documents) evidencing such expenditures are retained until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section, and 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 (6) months after the end of such year the report of such audit by said auditors, of such scope and in such details as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditures 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; 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.

ARTICLE V

Remedies of the Bank

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

(a) ADER-Fes shall have failed to perform any of its obligations under the ADER-Fes Project Agreement;

(b) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that ADER-Fes will be able to perform its obligations under the ADER-Fes Project Agreement;

(c) the Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of ADER-Fes or its ability to carry out Parts A; B.1(a) and (b); C.2; E.1; E.3 and E.4 of the Project or the ability of ADER-Fes to perform any of its obligations under the Project Agreement; and

(d) the Borrower or any other authority having jurisdiction shall have taken, during the time of Project implementation, any action for the dissolution or disestablishment of ADER-Fes or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Bank within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Commune Urbaine of Fes Medina Loan Agreement have been fulfilled other than the effectiveness of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, namely that the Project

Agreement has been duly Authorized or ratified by ADER-Fes, and is legally binding upon ADER-Fes in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Rabat
Kingdom of Morocco

Cable address:	Telex:
MINFIN	36715

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)

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

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Olivier P. Godron

Acting Regional Vice President
Middle East and North Africa

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 French Francs)	% of Expenditures to be Financed
(1) Civil works	24,500,000	80%
(2) Goods	2,340,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 80% of local expenditures for other items pro- cured locally
(3) Consultants' services	7,000,000	100%
(4) Management Fee	2,920,000	100%
(5) Unallocated	4,140,000	
TOTAL	40,900,000	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed FRF4,090,000, may be made in respect of the Categories set in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after November 16, 1997.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods under contracts not exceeding \$100,000, equivalent, for civil works under contracts not exceeding \$150,000 equivalent and under contracts for consultants not exceeding \$50,000 for firms and \$25,000 for individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in the conservation and rehabilitation of the Medina of Fes, with particular attention to its historic built heritage and urban environment, through the expansion and acceleration of ongoing conservation efforts, the consolidation of partnerships between the private and public sectors, and the alleviation of poverty through community development and the promotion of new growth oriented activities.

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: Rehabilitation of built heritage

1. Establishment of a grant facility to support private initiatives in historic building conservation, including private investments for the rehabilitation of about 250 historic domestic or commercial premises (souks, fondouks, workshops).

2. Promotion of tourism and preservation of cultural heritage through:

(a) the creation of six new tourism thematic itineraries within the Medina, including targeted investments in historic buildings, improvement of signage in the Medina and development of historic gardens; and

(b) establishment of a Heritage Center serving the functions of a center for information and cultural activities.

Part B: Improving critical access to the Medina

1. Development and construction of:

(a) an emergency access network in order to facilitate access of emergency motor vehicles, services and municipal works;

(b) an access network of pedestrian streets;

(c) four streets to allow access to motorized vehicles and proper sidewalks in order to improve the traffic patterns at the entrance of the Medina, namely Ain Zetlen access, Oued Zhoun access and Bin Lamdoun access;

(d) transfer facilities at the gates of the Medina, such as bus and taxi stations, and pedestrian waiting facilities; and

(e) three (3) parking facilities in the Medina.

2. Establishment of a traffic bureau entrusted with management of safe vehicle and pedestrian traffic.

Part C: Improvement of Urban Environment

1. Improvement of solid waste collection, including clearance of solid waste stock and derelict sites and launching of a campaign aimed at sensitizing the population.

2. Regrouping of the crafts polluting artifacts industries within the Medina by providing two (2) improved workshop facilities to neutralize their nuisance.

Part D: Community Development

1. Promotion of labor-intensive job opportunities, particularly among the unemployed population of the Medina and surrounding areas.

2. Carrying out of emergency works on housing and commercial premises, clearance of solid waste stock, rehabilitation of community facilities through the contracting out of such works to small scale private enterprises.

Part E: Institutional Strengthening

1. Support to ADER-Fes through the provision of technical assistance in areas of management, accounting, geographic information system and rehabilitation techniques.

2. Establishment of a resource mobilization program for the benefit of the Municipalities of Fes Medina and Fes Jedid and provision of technical assistance in municipal management and organization.

3. Setting up of a laboratory network to improve architectural and urban conservation methods and techniques in the Medina.

4. Development and implementation of a training program adapted to the following relevant professional skills for the rehabilitation of the Medina: architecture, archeology, rehabilitation, urban management and planning, and engineering, to be provided for technical staff, builders, craftsmen and workers with skills in traditional building preservation and rehabilitation, municipal and other staff relevant to the implementation of the project, owners of polluting traditional activities and handicrafts with particular emphasis on women.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in French Francs)*
April 15, 2004	1,020,000
October 15, 2004	1,040,000
April 15, 2005	1,060,000
October 15, 2005	1,080,000
April 15, 2006	1,105,000
October 15, 2006	1,125,000
April 15, 2007	1,145,000
October 15, 2007	1,165,000
April 15, 2008	1,190,000
October 15, 2008	1,210,000
April 15, 2009	1,235,000
October 15, 2009	1,260,000
April 15, 2010	1,285,000
October 15, 2010	1,310,000
April 15, 2011	1,335,000
October 15, 2011	1,360,000
April 15, 2012	1,385,000
October 15, 2012	1,410,000
April 15, 2013	1,435,000
October 15, 2013	1,465,000
April 15, 2014	1,495,000
October 15, 2014	1,520,000
April 15, 2015	1,550,000
October 15, 2015	1,580,000
April 15, 2016	1,610,000
October 15, 2016	1,640,000
April 15, 2017	1,670,000
October 15, 2017	1,705,000
April 15, 2018	1,735,000
October 15, 2018	1,775,000

* The figures in the column represent the amount in French Franc equivalents determined as of the respective dates of withdrawal. See the General conditions, Sections 3.04 and 4.03.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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, works and services required for Parts A; B.1 (a) and (b); C.2; E.1; E.3 and E.4 of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to FRF4,090,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule. provided however that, unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FRF2,300,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of FRF17,500,000.

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 deposit into the Special Account of an amount or amounts 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 into 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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.

