

CONFORMED COPY

LOAN NUMBER 3614 UA

Loan Agreement

(Institution Building Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 25, 1993

LOAN NUMBER 3614 UA

LOAN AGREEMENT

AGREEMENT, dated June 25, 1993, between UKRAINE (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 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) "AMC" means the Borrower's Anti-Monopoly Committee;

(b) "Executing Agencies" means, collectively, the Borrower's Ministries and other Governmental Agencies referred to in the Annex to Schedule 2 to this Agreement;

(c) "MOE" means the Borrower's Ministry of Economy;

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

(e) "MOS" means the Borrower's Ministry of Statistics;

(f) "NBU" means National Bank of Ukraine, the Borrower's Central Bank;

(g) "PIU" means the project implementation unit referred to in Part C of Schedule 2 to this Agreement;

(h) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated April 23, 1993 and May 5, 1993 between the Borrower and the Bank;

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

(j) "SPF" means the Borrower's State Property Fund; and

(k) "STI" means the Borrower's Tax Inspectorate.

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 twenty-seven million dollars (\$27,000,000), 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 dollars a special deposit account in dollars 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 December 31, 1996 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 per cent ($3/4$ 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 January 1 and July 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 through the Executing Agencies as set forth in the Annex to Schedule 2 to this Agreement, with due diligence and efficiency and in conformity with appropriate administrative, financial, technical and management 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.

Section 3.03. The Borrower shall ensure that the PIU is at all times headed by a coordinator with qualifications, terms of reference and experience satisfactory to the Bank, who shall be assisted by qualified staff in adequate numbers and by consultants, acceptable to the Bank, advising on procurement and disbursement matters.

Section 3.04. The Borrower shall:

(a) carry out all studies included in the Project under terms of reference satisfactory to the Bank which, when applicable, shall include specific programs or plans of action to meet the objectives of the Project;

(b) promptly after the completion of each study, furnish to the Bank copy of its findings and recommendations including such programs or plans of action; and

(c) afford the Bank a reasonable opportunity to comment on such findings, recommendations and programs or plans of action.

Section 3.05. Regarding the training programs to be carried out under the Project, the Borrower shall:

(a) furnish to the Bank for approval the content of each of such programs as well as the schedule for its implementation;

(b) select the beneficiaries of such training programs in accordance with criteria satisfactory to the Bank;

(c) not later than September 30 of each year exchange views with the Bank on the training programs to be carried out in the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each training program and the benefits to be derived therefrom.

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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The 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 Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
12/2 Hrushevsky St.
Kiev, Ukraine 252008

Telex:

131450

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	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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

UKRAINE

By /s/ Oleh Hryhorovich Bilorus
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil Kavalsky
Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Amount of the Loan Allocated	% of
---------------------------------	------

Category	(Expressed in Dollar Equivalent)	Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(a) for Parts A, B(2), B(3) and C of the Project	12,300,000	
(b) for Part B(1) of the Project	1,900,000	
(2) Consultants' services and training		100%
(a) for Parts A, B(2), B(3) and C of the Project	9,300,000	
(b) for Part B(1) of the Project	600,000	
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Refunding of Project Preparation Advance	900,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(4) Unallocated	2,000,000	
	<hr/>	
TOTAL	27,000,000 =====	

2. For the purposes of this Schedule:

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures for goods under Subcategories (1) (b) and (2) (b) prior to establishment of an adequately staffed National Payments Council with functions and terms of reference acceptable to the Bank.

SCHEDULE 2

Description of the Project

The objective of the Project is to support, through the provision of technical assistance services, the development of key institutions in areas which would contribute to the establishment of the Borrower's capacity to design and carry out a comprehensive national economic reform program consisting of: (i) designing and developing specific reform policies, programs and implementation plans; (ii) strengthening the institutional capacity and skills base required to carry out the reform program; and (iii) carrying out preparatory work in other areas where technical assistance is needed and in sectoral economic analysis.

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 objective:

Part A: Enterprise Reform

1. Provision of technical assistance, training services, equipment and materials: (a) to assist in the implementation of privatization and regulatory reform sub-projects in selected oblasts and cities; (b) to carry out pilot privatization sub-projects involving the privatization of approximately five selected enterprises; and (c) to furnish public information regarding privatization.

2. Provision of technical assistance, training services, equipment and materials: (a) to develop and enforce antimonopoly, fair trade, consumer protection and other policies aimed at enhancing enterprise competition and to break up selected monopoly enterprises; and (b) to strengthen the AMC.

Part B: Financial Sector Development

Provision of technical assistance, training services, equipment and materials to support the reform and strengthening of the Borrower's financial sector including:

(1) modernization of the payments system, including the development of the necessary legislation, regulations, standards, instruments, and institutions;

(2) developing and implementation of new auditing and accounting systems and procedures for financial institutions; and

(3) carrying out diagnostic studies and developing a program for the strengthening of up to three banks doing business in the territory of the Borrower.

Part C: Public Financial and Economic Management

Provision of technical assistance, training services, equipment and materials for:

(1) the establishment of a treasury system in MOF;

(2) modernization of tax administration;

(3) support for the establishment of a project implementation unit (PIU) for the Project;

(4) strengthening MOE's capacity to design and implement economic policies during the transition to a market economy; and

(5) the establishment of a modern statistical information system capable of meeting essential requirements for conducting economic policy analysis in a market economy.

* * *

The Project is expected to be completed by June 30, 1996.

Executing Agencies Responsible for the
Carrying Out of the Project

Part of the Project	Agency
Part A.1	SPF
Part A.2	AMC
Part B	NBU
Part C.1	MOF
Part C.2	STI
Part C.3	MOE
Part C.4	MOE
Part C.5	MOS

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each January 1 and July 1	
beginning January 1, 1999 through January 1, 2010	1,125,000
And on July 1, 2010	1,125,000

* 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

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

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

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standards bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

Part B: Other Procurement Procedures

1. Items or groups of items estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount equivalent to \$3,700,000, 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.

2. Items or groups of items expected to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Contracts for goods which are of proprietary nature or which require standardization with existing equipment, up to an aggregate amount not to exceed \$100,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

Part C: 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 \$300,000 or more as well as the first two contracts awarded under international shopping procedures under Part B (1) hereof, and the first two contracts awarded under Part B (2) hereof, 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.

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

2. The figure of 10% 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. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

SCHEDULE 5

Implementation Program

A. Overall Coordination and Management of the Project

1. In accordance with the decision of the Currency-Credit Council of the Borrower of April 7, 1993, the First Deputy Minister of the Economy shall be responsible for coordinating and monitoring the overall implementation of the Project by the Executing Agencies.

2. Responsibility for day-to-day Project management shall be vested in the PIU, which shall report to the First Deputy Minister of the Economy. In particular, the PIU shall be responsible for:

- (a) maintaining Project accounts;
- (b) assisting the Executing Agencies in procurement matters;
- (c) monitoring the timely carrying out of the Project activities;
- (d) preparing regular Project progress reports;
- (e) providing managerial and technical assistance for Project activities if so requested by the implementing entity.

3. Each of the designated Executing Agencies shall carry out the procurement of goods and consultants' services pertaining to the Parts of the Project for which they are responsible under the Annex to Schedule 2 and ensure the transfer of such goods and allocation of such services to the beneficiaries thereof under appropriate administrative or contractual arrangements acceptable to the Bank.

B. Particular Actions for Implementation of the Project

Pursuant to carrying out the provisions of Section 3.01 (a) of this Agreement, the Executing Agencies shall undertake the following actions in a manner acceptable to the Bank:

Part A of the Project

1. The oblasts and municipalities to be included in privatization sub-projects under Part A.1 of the Project shall be selected by MOE in consultation with SPF under agreed selection procedures.
2. The enterprises to be included in the pilot privatization sub-projects under Part A.1 of the Project shall be selected by SPF and MOE under agreed selection criteria.
3. AMC shall prepare and carry out a staffing plan prior to execution of Part A.2 of the Project.

Part B of the Project

1. NBU shall undertake, with the assistance of consultants, the design of the payments system modernization to be carried out in consultation with the National Payments Council under Part B (1) of the Project.
2. Prior to undertaking the purchase of equipment under Part B (1) of the Project NBU shall adopt an action plan for the implementation of payments system reforms, including detailed specification of the equipment needs to be financed under the Project.
3. The banks to be included in the institutional development program under Part B (3) of the Project shall be selected by NBU in accordance with agreed selection procedures.

Part C of the Project

1. By September 1, 1993, MOF shall establish a task force for design and implementation of the treasury system under Part C (1) of the Project.
2. Prior to undertaking the purchase of equipment for full implementation of the new treasury system under Part C (1) of the Project, MOF shall, with the assistance of consultants, take all measures necessary to implement the design and pilot phase activities, including detailed specification of the equipment needs to be financed under the Project.
3. MOS shall prepare a work program for the establishment of the modern statistical information system, including detailed specification of the equipment requirements to be financed under Part C (5) the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$2,000,000 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.

