

CONFORMED COPY

LOAN NUMBER 2963 UNI

(Highway Sector Loan)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 15, 1989

LOAN NUMBER 2963 UNI

LOAN AGREEMENT

AGREEMENT, dated September 15, 1989, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS (B) 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) "FMWH" means the Borrower's Federal Ministry of Works and Housing;

(b) "FHD" means the Federal Highway Department of FMWH;

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

(d) "Project Account" means any of the accounts referred to in Section 3.01 (d) of this Agreement;

(e) "Naira" means the currency of the Borrower;

(f) "State" means any of the States of Nigeria;

(g) "Road improvements" means the improvement of roads and bridges;

(h) "Bailey bridge" means a bridge designed for rapid construction from interchangeable latticed steel panels coupled together with steel pins; and

(i) "Fiscal Year" means the Borrower's fiscal year from January 1 to December 31.

## 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 in various currencies equivalent to two hundred fifty million dollars (\$250,000,000).

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 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 a commercial 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, 1993, 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement

of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 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.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### 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 FMWH with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall cause FMWH to exchange views with the Bank on the progress achieved in carrying out the Project, and the actions specified in Schedule 5 to this Agreement. Such exchanges of views shall take place: (i) not later than January 31, 1990 or such other date as the Borrower and the Bank may agree; and (ii) not later than January 31, 1991, or such other date as the Borrower and the Bank may agree.

(c) Prior to any of the exchanges of views referred to in paragraph (b) of this Section, the Borrower shall cause FMWH to furnish to the Bank for its review and comment: (i) a report, in such detail as the Bank shall reasonably request, on the progress achieved in carrying out the Project, and the actions specified in Schedule 5 to this Agreement including, inter alia, the use of the proceeds of the Loan and capital and recurrent expenditures made by the Borrower in the highway sector during the twelve months preceding the date of any such exchange of views; (ii) FHD's draft capital and recurrent budget and a program of works and studies for the forthcoming year; and (iii) FHD's indicative program of works for the subsequent two years.

(d) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall: (i) provide in its budget funds sufficient to cover the Borrower's counterpart contribution to the costs of the Project; (ii) open and thereafter maintain in Naira in a commercial bank, two Project Accounts (Project Account A and Project Account B) to be used exclusively to meet capital and recurrent expenditures for the Project,

respectively; (iii) not later than March 31, 1989, deposit into Project Accounts A and B initial amounts equivalent to one fourth (1/4) of the annual capital and recurrent budgets, respectively, allocated to FHD for Fiscal Year 1989; and (iv) thereafter replenish said Project Accounts, not later than three weeks from the beginning of each subsequent quarter, with amounts equal to one quarter (1/4) of FHD's annual capital and recurrent allocations, respectively.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services 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. Except as the Bank shall otherwise agree, the Borrower shall:

(a) maintain for the period 1989-1991: (i) annual Federal capital expenditure allocations to the transport sector at a minimum of 15 percent of total annual Federal capital expenditures; (ii) annual capital expenditure allocations to the Federal highway subsector at a minimum of 80 percent of said 15 percent; and (iii) FHD's annual recurrent expenditure allocations at a sufficient level to cover annual routine maintenance of the entire Federal highway network; and

(b) give priority to routine maintenance expenditures over any capital expenditures for roads.

Section 3.04. (a) The Borrower shall take all necessary measures to achieve, not later than January 1, 1990, and thereafter maintain during the execution of the Project, road user charges at a reasonable level.

(b) For purposes of assisting the Borrower in fulfilling its obligations under paragraph (a) of this Section, the Borrower shall:

(i) not later than September 1, 1989, prepare and furnish to the Bank for comments:

(A) a study; and

(B) a plan of action to recover at least recurrent costs of Federal Highways from Nigeria's road users, through a combination, inter alia, of the following: fuel taxes, vehicle import taxes, vehicle registration fees, and tolls; and

(ii) not later than January 1, 1990, implement the system of road user charges in accordance with the plan of action referred to in (i) (B) above, taking into consideration among other things the comments made by the Bank.

Section 3.05. The Borrower shall, not later than April 1, 1989, cause FMWH to complete detailed designs and economic analyses of works to be carried out during the second year of the Project.

#### 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) For purposes of assisting the Borrower in fulfilling its obligations under paragraph (a) of this Section, the Borrower shall:

- (i) promptly after the Effective Date, employ independent auditors acceptable to the Bank to review FMWH's accounting systems and supporting internal accounting procedures and practices in respect of the Special Account and the Project Accounts, and recommend any changes needed for these purposes; and
  - (ii) after an exchange of views with the Bank and not later than April 1, 1989, implement those recommendations referred to in (i) above which are satisfactory to the Borrower and the Bank.
- (c) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) of this Section, including the Special Account and the Project Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, a certified copy of 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.

(d) 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 (c) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement

within the meaning of Section 12.01 (c) of the General Conditions:

(a) FMWH has employed engineers with qualifications and experience satisfactory to the Bank to assist in carrying out Parts D.2 (c) and D.2 (d) (i) of the Project during the first year of implementation of the Project; and

(b) the Borrower has opened the Project Accounts referred to in Section 3.01 (d) of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The 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:

The Permanent Secretary  
Federal Ministry of Finance  
P.M.B. 12591  
Federal Secretariat, Ikoyi  
Lagos, Nigeria

Cable address:	Telex:
PERMFIN Lagos	21248

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.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

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.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hamzat Ahmadu  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V. K. Jaycox  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawals of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works for Part A of the Project for the:		60%
(a) 1st year of the Project	107,700,000	
(b) 2nd year of the Project, and	79,300,000	
(c) 3rd year of the Project	25,000,000	
(2) Equipment, spare parts, Bailey Bridge Components, other mate- rials for FMWH	8,100,000	100% of foreign expenditures and 65% of local expenditures
(3) Consultants' services	9,900,000	70%
(4) Unallocated	20,000,000	
	<hr/>	
	\$250,000,000	

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 and services supplied from the territory of any country other than 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:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$25,000,000, may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after April 15, 1986;

(b) expenditures under Category (1) (b) to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Loan, unless the Bank shall be satis-

fied, after the exchange of views referred to in Section 3.01 (b) of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Project; and (ii) that the actions described in Part A of Schedule 5 to this Agreement have been taken; and

(c) expenditures under Category 1 (c) to pay amounts to the Borrower or others in respect of expenditures to be financed out of the Loan, unless the Bank shall be satisfied, after the exchange of views referred to in Section 3.01 (b) of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Project; and (ii) that the actions described in Part B of Schedule 5 to this Agreement have been taken.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist and strengthen the highway sector institutions of the Borrower in the discharge of their responsibilities.

The Project is the Borrower's three-year Highway Sector Program for 1989-1991 and consists of the following Parts, subject to such modifications as the Borrower and the Bank may agree upon from time to time to achieve such objectives.

#### Part A: Road Improvement

- (1) Strengthening of paved roads;
- (2) rehabilitation of surface-treated roads;
- (3) rehabilitation and surface treatment of earth roads; and
- (4) construction of roads and bridges on a new alignment.

#### Part B: Road Maintenance

- (1) Routine maintenance of the Federal road network;
- (2) acquisition of equipment and spare parts for road maintenance; and
- (3) acquisition of components for Bailey bridges.

#### Part C: Road Safety Improvement

- (1) Strengthening the system of collecting and analyzing road accident data;
- (2) treatment of hazardous locations on the road network;
- (3) establishment of FHD's Traffic Operations Unit;
- (4) training of Federal and State road engineers in traffic safety; and
- (5) acquisition of equipment for road safety.

#### Part D: Institutional Strengthening

- (1) Assistance to FMWH:
  - (a) strengthening the managerial and technical abilities of the Pavement Evaluation Unit of the Engineering Services Department; and
  - (b) implementation of actions to improve its efficiency.
- (2) Assistance to FHD:



(a) Planning Division:

- (i) strengthening FHD's Project Planning and Evaluation Unit in economic analysis techniques;
- (ii) preparation of economic analyses of road improvement works;
- (iii) preparation and implementation of data processing and management systems;
- (iv) carrying-out a road users' charges/axle-load study; and
- (v) preparation of an organization and action plan for State road improvements arising from the Federal Trunk Road Study to be recommended to the State Governments.

(b) Design Division:

preparation of detailed designs, and tender documents for civil works carried out for road improvements.

(c) Construction Division:

supervision of civil works carried out for road improvements.

(d) Maintenance Division:

- (i) supervision of civil works carried out for road maintenance;
- (ii) organization and management of maintenance works carried out by force account;
- (iii) implementation of a maintenance management system, including a comparative analysis of maintenance works carried out by force account and by contract; and
- (iv) training of instructors in pedagogic techniques.

(3) Coordination of construction works and consultants' services necessary to carry out the Highway Sector Program;

\* \* \*

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)
On each January 15 and July 15 beginning January 15, 1994 through January 15, 2008	8,335,000
On July 15, 2008	8,285,000

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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).

2. To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost the equivalent of \$10,000,000 or more each. Contractors shall be allowed to bid for individual contracts or for a group of similar contracts, as a whole, at their option.

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

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Nigeria 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. Local competitive bidding:

Data processing equipment under Part D.2 (a) (iii) of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

###### 2. Direct contracting:

Spare parts for equipment and components for Bailey bridges under Part B of the Project may be procured under contracts awarded directly to the manufacturers or their authorized agents, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to paragraph 2 (d) of said Appendix 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 contracts 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 paragraph 3 of said Appendix 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (d) (ii) of this Agreement.

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 carrying out Parts C and D of the Project, the Borrower shall cause FMWH to 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

Actions referred to in paragraph 3 (b)  
and (c) of Schedule 1

The following actions shall be taken by FMWH:

A. Not later than January 31, 1990, or such other date as the Borrower and the Bank may agree:

1. Satisfactory evidence has been furnished to the Bank that:

- (i) economic analyses of all road improvement works of the first year of the Project have been performed, in accordance with criteria and methodology agreed between the Borrower and the Bank, before implementing them;
- (ii) tender documents for all road improvement works

during the first year of the Project have been prepared according to design standards satisfactory to the Bank, before inviting bids for their construction;

- (iii) an initial report on the operations of FHD's Project Planning and Evaluation Unit has been prepared;
- (iv) an initial progress report on a road users' charges/axle load study has been prepared;
- (v) economic analyses and detailed designs of road improvement works to be implemented during the third year of the Project have been substantially completed;
- (vi) an adequate number of engineers has been employed to supervise road improvement and routine maintenance works during the first year of the Project;
- (vii) an initial report on the operations of the Pavement Evaluation Unit has been prepared;
- (viii) an indicative program of road improvement and routine maintenance works to be implemented during the year subsequent to the completion of the Project has been prepared; and
- (ix) adequate coordination of construction works and consultants' services has been carried out in accordance with criteria and methodology already agreed between the Borrower and the Bank.

2. Agreement with the Bank has been reached on:

- (i) road improvement works proposed for implementation during the second year of the Project, and an indicative program for the subsequent year; and
- (ii) routine maintenance works to be implemented during the second year of the Project and an indicative program for the subsequent year.

3. Engineers to supervise road improvement and road maintenance works during the second year of the Project have been provided.

B. Not later than January 31, 1991, or such other date as the Borrower and the Bank may agree:

1. Satisfactory evidence has been furnished to the Bank that:

- (i) economic analyses of all road improvement works of the second year of the Project have been previously performed, in accordance with criteria and methodology already agreed between the Borrower and the Bank, before implementing them;
- (ii) tender documents for road improvement works implemented during the second year of the Project have been prepared according to design standards satisfactory to the Bank, before inviting bids for their construction;
- (iii) economic analyses and detailed designs of road improvement works planned for implementation during the year subsequent to the Project have been substantially completed;

- (iv) an adequate number of engineers has been employed to supervise road improvement and routine maintenance works during the second year of the Project;
- (v) an indicative program of road improvement and routine maintenance works to be implemented during the two years subsequent to the completion of the Project has been prepared; and
- (vi) adequate coordination of construction works and consultants' services has been carried out in accordance with criteria and methodology already agreed between the Borrower and the Bank.

2. Agreement with the Bank has been reached on:

- (i) road improvement works proposed for implementation during the third year of the Project; and
- (ii) routine maintenance works to be implemented during the third year of the Project.

3. Engineers to supervise road improvement and road maintenance works during the third year of the Project have been provided.

C. For the purposes of this Schedule, the term "criteria and methodology already agreed between the Borrower and the Bank" shall mean the criteria and methodology set out in the supplemental letter agreements of even date herewith between the Borrower and the Bank.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$20,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for

replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such request, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories of the Project, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories of the Project 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

