

CONFORMED COPY

LOAN NUMBER 3993-JO

LOAN AGREEMENT

(Export Development Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 12, 1996

LOAN NUMBER 3993-JO

LOAN AGREEMENT

AGREEMENT, dated April 12, 1996, between THE HASHEMITE KINGDOM OF JORDAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Bank has received a letter dated March 7, 1996, from the Borrower describing a program of actions, objectives and policies designed to expand the Borrower's export sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(B) 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 Single Currency Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth in Schedule 6 to this Agreement (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) "CBJ" means the Central Bank of Jordan;
- (b) "Sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Beneficiary for a Sub-project;
- (c) "Beneficiary" means any private enterprise to which the Borrower proposes to make or has made a Sub-loan;
- (d) "Sub-project" means a specific investment project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;
- (e) "Participating Bank" means any private banking institution with which the Borrower has entered into a Subsidiary Financing Agreement;
- (f) "Subsidiary Financing Agreement" and "Subsidiary Finance" mean, respectively, any agreement entered into between the Borrower and a Participating Bank, pursuant to paragraph 3 (a) of Schedule 4 to this Agreement, and any loan made pursuant to a Subsidiary Financing Agreement;
- (g) "private enterprise" and "private banking institution" mean, respectively, an enterprise or a banking institution in which the majority of the outstanding voting stock or other proprietary interest is not owned or controlled by the Borrower or any of its agencies or by any entity owned or controlled by the Borrower or any of its agencies; and
- (h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to forty million dollars (\$40,000,000).

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 and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in CBJ 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000, 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 LIBOR Base Rate plus LIBOR 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) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars 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) "LIBOR 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 London 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 LIBOR Base Rate and LIBOR 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 amounts of the Loan not yet withdrawn 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 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. CBJ is designated as representative of the

Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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 4 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(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. For the purposes of Section 9.08 of the General Conditions and without limitations thereto, the Borrower shall:

(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 on said plan.

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 Accounts 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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely, that at least two Subsidiary Financing Agreements have been executed on behalf of, and are legally binding upon, the Borrower and the Participating Banks.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning 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 Planning
P.O. Box 555
Amman
The Hashemite Kingdom of Jordan

Cable address:

Ministry of Planning
Amman

Telex:

21319 JO

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
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 the District of Columbia, United States of America, as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN

By/s/ Fayez Tarawneh

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Inder Sud

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
Goods, works and consultants' services	40,000,000	100% of foreign expenditures and 90% of local expenditures for goods and works, and 100% for consultants' services

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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under all contracts, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in financing such investment projects as will contribute to expansion of productive capacity for exports.

The Project consists of the following part, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

The financing of investment projects to expand productive capacity for exports through loans to private enterprises, other than those operating within the housing and real estate subsectors.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
July 15, 2001	840,000
January 15, 2002	865,000
July 15, 2002	895,000
January 15, 2003	920,000
July 15, 2003	945,000
January 15, 2004	975,000
July 15, 2004	1,005,000
January 15, 2005	1,035,000
July 15, 2005	1,065,000
January 15, 2006	1,095,000
July 15, 2006	1,130,000
January 15, 2007	1,165,000
July 15, 2007	1,200,000
January 15, 2008	1,235,000
July 15, 2008	1,270,000
January 15, 2009	1,310,000
July 15, 2009	1,350,000
January 15, 2010	1,390,000
July 15, 2010	1,430,000
January 15, 2011	1,475,000
July 15, 2011	1,520,000
January 15, 2012	1,565,000
July 15, 2012	1,610,000

January 15, 2013	1,660,000
July 15, 2013	1,710,000
January 15, 2014	1,760,000
July 15, 2014	1,810,000
January 15, 2015	1,865,000
July 15, 2015	1,925,000
January 15, 2016	1,980,000

SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

1. The Borrower shall: (a) maintain procedures adequate to enable it to monitor and evaluate, on an ongoing basis, in accordance with indicators agreed with the Bank, the carrying out of the Project and the achievement of the objectives thereof; (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank: (i) by November 30 of each year, a report, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, on the progress achieved in the carrying out of the Project during the period of 12 months preceding the date of such report, and (ii) on or about November 30, 1997, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to subparagraph (b) (i) above, on the progress achieved in carrying out the Project during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Bank each such report and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Bank's views on the matter.

2. The Project shall be carried out by the Borrower through CBJ. For this purpose, the Borrower shall maintain arrangements, satisfactory to the Bank, with CBJ pursuant to which CBJ shall: (a) undertake to maintain a separate unit, with resources and terms of reference satisfactory to the Bank, to be responsible for the carrying out of CBJ's activities under the Project, and (b) act as the fiscal agent of the Borrower in making available proceeds of the Loan to the Participating Banks on the terms and conditions specified herein. Such arrangements shall also provide that CBJ shall retain out of the amounts of interest paid by the Participating Banks under the respective Subsidiary Financing Agreements the equivalent of 0.25% per annum of the amounts relented to said Banks under said Agreements to cover CBJ's fees as fiscal agent.

3. For the purpose of carrying out the Project, the Borrower shall, through CBJ:

(a) relend to the Participating Banks the equivalent of the proceeds of the Loan allocated from time to time to the Category of the table set forth in paragraph 1 of Schedule 1 to this Agreement under Subsidiary Financing Agreements to be entered into between the Borrower and each such Participating Bank, under terms and conditions which shall have been approved by the Bank and which shall include, without limitation, those set forth in the Annex to this Schedule;

(b) monitor the overall execution of the Project and the carrying out by the Participating Banks of their undertakings pursuant to their respective Subsidiary Financing Agreements in accordance with policies and procedures satisfactory to the Bank;

(c) take or cause to be taken all action necessary or appropriate on its part to enable the Participating Banks to perform in accordance with the provisions of their respective Subsidiary Financing Agreements all the obligations of the Participating Banks therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and

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

ANNEX TO SCHEDULE 4

Principal Terms and Conditions of the Subsidiary Financing Agreements

The principal terms and conditions set forth in this Schedule shall apply for the purposes of paragraph 3 (a) of Schedule 4 to this Agreement.

A. Terms

1. The principal amount to be relented out of the proceeds of the Loan to a Participating Bank under its respective Subsidiary Financing Agreement shall be:

(a) the equivalent of the aggregate amount of the principal of all Sub-loans made out of the proceeds thereof; and

(b) denominated in dollars and in the currency of the Borrower, with the portion thereof denominated in dollars being the sum total of Sub-loans made out of its proceeds and denominated in dollars, and with the portion thereof denominated in the currency of the Borrower being the sum total of the Sub-loans made out of its proceeds and denominated in the currency of the Borrower.

2. The portion of the Subsidiary Finance denominated in: (a) dollars shall be charged on the principal amount thereof withdrawn and outstanding from time to time, interest, during each six-month period commencing on January 15 and July 15 of each calendar year, at a rate equal to the London interbank offered rate for six-month deposits in dollars plus a margin, all as shall be determined from time to time pursuant to guidelines agreed with the Bank; and (b) the currency of the Borrower shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, interest, during each six-month period commencing January 15 and July 15 of each calendar year, at a rate to be determined from time to time pursuant to a formula agreed with the Bank.

3. The Subsidiary Finance shall be charged on the principal amount thereof not withdrawn from time to time, a commitment charge at a rate equal to the rate applicable to the Loan pursuant to Section 2.04 of this Agreement.

4. The Subsidiary Finance shall be repaid in accordance with an amortization schedule pursuant to which each portion thereof utilized in the making of a Sub-loan shall have a maturity calculated to conform to the amortization schedule applicable to such Sub-loan.

5. The right of a Participating Bank to the use of the proceeds of its respective Subsidiary Finance shall be: (a) suspended upon failure of such Participating Bank to perform any of its obligations under its respective Subsidiary Financing Agreement or to continue to be in compliance with the

legal and regulatory requirements applicable to its operations; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of 60 days.

B. Conditions

1. A Subsidiary Financing Agreement may be entered into with a private banking institution, duly established and operating under the laws of the Borrower, which CBJ shall have determined, on the basis of guidelines agreed with the Bank, that such banking institution:

(a) is in compliance with the legal and regulatory requirements applicable to its operations, including the capital adequacy requirements;

(b) has had its financial statements, for its fiscal year preceding the year within which its respective Subsidiary Financing Agreement is to be entered into, audited by independent auditors with the report thereof being unqualified; and

(c) has the organization, management, staff and other resources required for the efficient carrying out of its activities to be undertaken under the Project.

2. Each respective Subsidiary Financing Agreement shall contain provisions pursuant to which each respective Participating Bank shall undertake to:

(a) carry out its activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, and to provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiaries on the terms and conditions set forth in the Attachment to this Annex; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Borrower and the Bank, comply with its obligations under its respective Subsidiary Financing Agreement and achieve the purpose of the Project; (iii) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of CBJ; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures satisfactory to the Bank and CBJ;

(c) (i) exchange views with, and furnish all such information to, CBJ, as may be reasonably requested by the Bank or CBJ, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Financing Agreement, and other matters relating to the purposes of the Project; and (ii) promptly inform CBJ of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Financing Agreement; and

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to CBJ (iii) furnish to CBJ, as soon as available, but in any case not later than four months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Bank or CBJ shall have reasonably

requested; and (iv) furnish to CBJ such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or CBJ shall from time to time reasonably request.

ATTACHMENT TO THE ANNEX TO SCHEDULE 4

Terms and Conditions of the Sub-loans

The provisions of this Attachment shall apply for the purposes of paragraph 2 (b) (i) of Part B of the Annex to Schedule 4 to this Agreement.

1. The principal amount of each Sub-loan shall: (a) be denominated and be equivalent in dollars or in the currency of the Borrower (determined as of the date or respective dates of withdrawal from the Loan account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and services financed out of such proceeds for the Sub-project; and (b) not exceed the equivalent of \$2,000,000.

2. Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by the Participating Bank making such Sub-loan in accordance with its applicable investment and lending policies and practices; and (b) made for a period determined pursuant to said policies and practices and not exceeding seven years, inclusive of a grace period of up to three years.

3. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of a Sub-loan unless:

(a) the Sub-loan shall have been approved by the Bank and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Attachment in respect of such Sub-loan, or

(b) the Sub-loan shall have been a free-limit Sub-loan (as hereinafter defined) which CBJ shall have authorized and such expenditures shall have been made not earlier than 180 days prior to the date on which CBJ shall have received the request and information required under paragraph 4 (b) of this Attachment in respect of such free-limit Sub-loan. For the purposes hereof, a free-limit Sub-loan shall be any Sub-loan to be made by a respective Participating Bank other than the first two Sub-loans to be so made by such Participating Bank.

4. (a) When presenting a Sub-loan, other than a free-limit Sub-loan, to the Bank for approval, the Participating Bank shall furnish to the Bank, through CBJ, an application, in form satisfactory to the Bank, together with (i) a description of the Sub-project; (ii) the appraisal of the Sub-project including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (iii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization therefor; and (iv) any such other information as the Bank shall reasonably request.

(b) Each request to CBJ for authorization in respect of a free-limit Sub-loan shall contain (i) a summary description of the Beneficiary and the Sub-project including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank or CBJ, as the case may be, not later than January 31, 1999.

5. Sub-loans shall be made to Beneficiaries, who each shall have established to the satisfaction of the Participating Bank making the Sub-loan, on the basis of guidelines acceptable to the Bank, that:

(a) it is creditworthy, as indicated, inter alia, through an audit of its financial statements carried out in accordance with appropriate auditing principles acceptable to the Participating Bank, and has the resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project; and

(b) it is able and has undertaken to maintain a total debt to equity ratio of not more than 2:1 and a debt service ratio of at least 1:3.

6. Sub-loans shall be made for Sub-projects which are each determined by the Participating Bank making the Sub-loan, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Bank, to be:

(a) technically feasible and economically, and financially viable and designed to enhance cost and quality competitiveness of the Beneficiary;

(b) in compliance with environmental standards satisfactory to the Bank, and with all applicable laws and regulations of the Borrower relating to health, safety and environmental protection; and

(c) calculated to have an internal rate of return of at least 15%.

7. Sub-loans shall each be made on terms whereby the Participating Bank making the Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Borrower and the Bank, including, as appropriate, the right to:

(a) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, environmental, economical, financial and commercial practices, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the normal commercial practices of the Beneficiary at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them, and (ii) such goods and services shall be used exclusively in the carrying out of the Subproject;

(c) inspect by itself or jointly with representatives of the Bank if, the Bank shall so request, the goods and the sites, works, plans and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair

such goods;

(e) require the Beneficiary to (i) have its financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Participating Bank, and (ii) furnish to the Participating Bank, as soon as available, but in any case not later than four months after the end of each such year, certified copies of its financial statements for such year as so audited, and the report of such audit by said auditors, of such scope and in such detail as the Participating Bank shall have reasonably requested;

(f) obtain all such information as the Bank or CBJ shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with the Participating Bank.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means the Category 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 Sub-projects and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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 eligible Category, 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 Category, 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 Category 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.

SCHEDULE 6

Modifications of the General Conditions

The words "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 cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in paragraph 4 (c) of the Attachment to the Annex to Schedule 4 to the Loan Agreement, the Bank or CBJ, as the case may be, shall, in respect of any portion of the Loan; (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests. The Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or to authorize such requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

