

COMFORMED COPY

LOAN NUMBER 3077 TU

(Agroindustry Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 28, 1989

LOAN NUMBER 3077 TU

LOAN AGREEMENT

AGREEMENT, dated June 28, 1989, between REPUBLIC OF TURKEY (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;

(B) Parts A and B (1) of the Project will be carried out by the Participating Credit Institutions referred to in paragraph (d) of Section 1.02 of this Agreement with the Borrower's assistance and, as part of such assistance, the Borrower, as provided in this Agreement, will make available to said Participating Credit Institutions the proceeds of the Loan, except the amount allocated for Part B (2) and (3) of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower on the terms and

conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and the aforementioned Participating Credit Institutions;

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 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "TCZB" means Turkiye Cumhuriyet Ziraat Bankasi, a banking institution established and operating under the Borrower's Law No. 233;

(b) "SYKB" means Sinai Yatirim ve Kredi Bankasi, a banking institution operating under its Statutes dated March 16, 1963, as amended to the date of this Agreement;

(c) "THB" means Turkiye Halk Bankasi, operating under the Borrower's Law No. 233;

(d) "PCIs" means collectively the Participating Credit Institutions under the Project, namely, TCZB, SYKB, THB and any other credit institution of the Borrower which the Borrower may determine, in agreement with the Bank, to include as a PCI for the purposes of the Project; and the term "PCI" means each or any of the Participating Credit Institutions;

(e) "Project Agreement" means the agreement between the Bank and the PCIs of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(f) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and each PCI pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(g) "Sub-Loan" means a loan made or proposed to be made by a PCI out of the proceeds of the Loan to an Investment enterprise for the financing of an Investment Project;

(h) "free-limit Sub-Loan" means a Sub-Loan which qualifies as a free-limit sub-loan pursuant to the provisions of paragraph B (4) (b) of Schedule 4 to this Agreement;

(i) "Investment Enterprise" means an enterprise, eligible, pursuant to the provisions of this Agreement and the Project Agreement, to receive a Sub-Loan from a PCI;

(j) "Investment Project" means a specific agroindustrial project (including facilities, equipment and technical services) for the processing, packaging, transportation, handling, storage and distribution of food, beverages, animal feed, tobacco, or for sawmills, leather tanneries or processing of raw cotton, or for the transportation, handling, storage and distribution of agricultural inputs; to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-Loan;

(k) "Statutes" or "Charter" means (i) with respect to TCZB,

the Statutes dated November 9, 1984, as amended to the date of this Agreement; (ii) with respect to SYKB, the Statutes dated March 16, 1963, as amended to the date of this Agreement; (iii) with respect to THB, the Articles of Association dated October 28, 1984, as amended to the date of this Agreement; and (iv) with respect to any other credit institution which may be included, pursuant to paragraph A (4) (a) of Schedule 4 to this Agreement, as a PCI for purposes of the Project, the Statutes or Charter on the basis of which such inclusion shall be made;

(l) "Statement of Policy" means with respect to each PCI, the statement of lending and investment policy and of business plans as approved by its directors and as the same may be amended from time to time;

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

(n) "FERIS" means the Foreign Exchange Risk Insurance Scheme, operated pursuant to Decree No. 31, dated March 27, 1985, as amended to the date of this Agreement;

(o) "TL" and "Turkish Lira" means the currency of the Borrower;

(p) "Subsidiary" means any company of which the majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by a PCI or by one or more subsidiaries of a PCI or by a PCI and one or more of its subsidiaries; and

(q) "MAFRA" means the Borrower's Ministry of Agriculture, Forestry and Rural Affairs.

## 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 one hundred fifty million dollars (\$150,000,000).

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 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 the Central Bank of Turkey 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 December 31, 1995 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 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 April 15 and October 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 General Manager and his designees of each PCI, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a) of this Agreement and Article V of the General Conditions with respect to the amount of the Loan onlent to such PCI under the relevant Subsidiary Loan 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: (i) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause the PCIs to perform all of their obligations under the Project Agreement in accordance with the provisions thereof; (ii) shall carry out Part B (2) of the Project through MAFRA with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices and shall provide, promptly as needed, the funds, facilities and other resources required therefor; and (iii) shall, by December 31, 1989, make arrangements satisfactory to the Bank for the carrying out of Part B (3) of the Project.

(b) The Borrower shall relend the proceeds of the Loan allocated for Part A and Part B (1) of the Project to the PCIs under subsidiary loan agreements to be entered into between the Borrower and the PCIs, under terms and conditions satisfactory to the Bank which shall include the terms and conditions set forth in Schedule 4 to this Agreement.

(c) Without limitation to the provisions of this Section and of Schedule 4 to this Agreement, the Borrower shall not conclude a Subsidiary Loan Agreement with TCZB or THB unless each shall have carried out an audit of its asset portofolio and shall have made adequate provisions for non-performing loans in accordance with the Borrower's Banking Law.

(d) Except as the Bank may otherwise agree, the Borrower shall ensure that the PCIs shall utilize the amounts onlent to them under the Subsidiary Loan Agreements for purposes of Part A of the Project in the provision of Sub-Loans in accordance with

the procedures and under the terms and conditions set forth in Schedule 4 to this Agreement.

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

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B (2) and (3) of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 7 to this Agreement.

(b) Except as the Bank shall otherwise agree, procurement of the goods financed from the proceeds of Sub-Loans under Part A of the Project and of consultants' services under Part B (1) of the Project shall be governed by the provisions of the Schedule to the Project Agreement.

Section 3.03. The Borrower shall ensure the preparation and furnishing to the Bank of semi-annual reports on progress in the carrying out of Part B (2) and Part B (3) 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 Part B (2) and (3) of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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.

Section 4.02. (a) 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 sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six 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, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Bank

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

(a) Any PCI have failed to perform any of its obligations under the Project Agreement, or under the Subsidiary Loan Agreement to which it is a party.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any PCI will be able to perform its obligations under the Project Agreement.

(c) The Statutes or Charter or the Statement of Policy of any PCI shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such PCI to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any PCI or for the suspension of its operations.

(e) A subsidiary or any other entity shall have been created or acquired or taken over by any PCI, if such creation, acquisition or taking over would adversely affect the conduct of the PCI's business, its financial situation, the efficiency of its management and personnel or the carrying out of Part A of the Project.

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

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

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

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and at least two PCIs; and

(b) FERIS has been placed on a variable rate basis only.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by the PCIs, and is legally binding upon the PCIs in accordance with its terms; and

(b) that the Subsidiary Loan Agreements referred to in Section 6.01 (a) of this Agreement have been duly authorized or ratified by the Borrower and the PCIs concerned and are legally binding upon the Borrower and said PCIs in accordance with their terms.

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

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Undersecretary of the Treasury and Foreign Trade of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Basbakanlik  
Hazine Ve Dis Ticaret  
Mustesarligi  
Bakanliklar, Ankara

Cable address:

HAZINE

Telex:

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

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

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.

REPUBLIC OF TURKEY

By /s/ N. K. Kilic  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. Thalwitz  
Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans:	142,800,000	
(a) Machinery and equipment (including associated services)		100% of foreign expenditures, 70% of local expenditures for imported items procured locally and 50% of the ex-factory cost of items manu- factured locally
(b) other goods		100% of foreign expenditures (up to the allocation in Sub-Loans for permanent working capital)
(c) civil works		30%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(2) Consultants' services and training under Part B (1) of the Project:	500,000	100% of foreign expenditures
(3) Technical assistance under Part B (2) and (3) of the	6,700,000	



Project

(a) goods	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) consultants' services and training	100% of foreign expenditures
TOTAL	150,000,000

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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of a Sub-Loan unless the Borrower has concluded a Subsidiary Loan Agreement with the PCI providing such Sub-Loan and unless such Sub-Loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement; and (b) without limitation to the provisions of paragraph 4 of Part B of Schedule 4 to this Agreement, in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to increase the output of agroindustry through the financing of investments to improve capacity utilization in existing facilities and to establish new facilities; (b) to improve the capabilities of the PCIs to carry out financial restructuring of, and appraisal of investments for, agroindustrial projects; and (c) to strengthen agroindustry through the establishment of a capacity for marketing training and for planning in the fisheries sub-sector.

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

Part A: Agroindustrial Credit

Provision, through the PCIs, of credit for financing fixed investments, permanent working capital and technical service needs of agroindustrial investment projects.

Part B: Technical Assistance; Study

1. Provision of technical services, including staff training, for TCZB and THB (and, if the Borrower and the Bank shall so agree, to other PCIs that may be included in the Project pursuant to paragraph 4 (a) of Part A of Schedule 4 to this Agreement,) in the areas of appraisal and supervision of agroindustrial invest-

ments and the design of financial packages for the restructuring of agroindustrial projects.

2. A survey to establish a basis for long-term planning for the development of the fisheries industry and the preparation, if appropriate, of fisheries projects.

3. A pilot program to test and develop training techniques in international marketing, as required to promote export of Turkish agroindustrial products.

\* \* \*

The Project is expected to be completed by June 30, 1995.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each April 15 and October 15	
beginning October 15, 1994 through April 15, 2006	6,250,000

\* 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

Term and Conditions of Onlending  
under the Subsidiary Loan Agreements  
and under the Contracts for Sub-loans

Except as the Bank shall otherwise agree, the following provisions shall be adopted in the Subsidiary Loan Agreements to be concluded between the Borrower and each of the PCIs:

A. Onlending the Loan proceeds to the PCIs

1. The PCIs shall be required, with respect to amounts onlent to them for purposes of Part B (1) of the Project: (a) to repay such amounts to the Borrower over the same period specified for the repayment of the Loan pursuant to Schedule 3 to this Agreement and with commitment charge and interest at the rates applicable to the Loan pursuant to Sections 2.04 and 2.05, respectively, of this Agreement; and (b) to make such repayment of principal and payment of commitment charge and interest in the same amounts and currencies in which the Borrower's debt service obligations, with respect to such amounts, shall be payable to the Bank.

2. With respect to amounts allocated to any PCI for purposes of Part A of the Project, the PCI shall:

(a) pay to the Borrower a commitment charge on the unwithdrawn amounts at the rate of  $\frac{3}{4}$  of 1% per annum;

(b) repay such amounts over a period not exceeding ten years from the date of the latest Sub-Loan contract concluded by the PCI, in accordance with an amortization schedule which shall conform substantially to the aggregate of the amortization schedules applicable to the Sub-Loans;

(c) make the repayment referred to in the preceding paragraph in the currency, or currencies, in which the corresponding amount of the Sub-Loan shall be denominated in accordance with paragraph 3 of Part B hereof; and

(d) pay to the Borrower (i) with respect to amounts denominated under the Sub-Loan contract in foreign currency, interest, in said foreign currency, at an annual rate identical to that applicable, from time to time, to the Loan, pursuant to Section 2.05 of this Agreement, and (ii) with respect to amounts denominated under the Sub-Loan contract in Turkish Lira, interest at an annual rate lower by three percentage points than the interest rate applicable to the Sub-Loan.

3. Out of the amount of the Loan allocated for the provision of Sub-Loans, the Borrower shall initially allocate the equivalent of \$71,400,000 to TCZB, \$42,800,000 to SYKB, and \$28,600,000 to THB.

4. (a) The Borrower shall retain under the Subsidiary Loan Agreements the right, in agreement with the Bank (i) to reallocate after June 30, 1990 from amounts allocated under paragraph 3 above to TCZB, SYKB, and THB (in proportion to their respective allocations), an amount up to \$70,000,000 equivalent to additional credit institutions that may be included as PCIs by mutual agreement between the Borrower and the Bank, and (ii) to reallocate any amount of the Loan allocated to any PCI, should the PCI be unable: (A) to demonstrate, based on actual commitments and Sub-Project pipeline, as of October 30, 1990 or April 30, 1991, that it would be able to fully utilize its remaining allocation under Sub-Loans, or (B) to carry out its obligations under the Project Agreement or the Subsidiary Loan Agreement.

(b) The Borrower shall determine, in agreement with the PCIs concerned, the extent to which commitment charges accruing on amounts reallocated pursuant to paragraph (a) above will be reimbursed by the PCIs receiving such reallocation.

B. Terms and Conditions of Sub-Loans

1. (a) Permanent working capital requirements shall be financed under Sub-Loans only as a component of an Investment Project which shall include fixed investment finance in an amount at least 3 times the amount of permanent working capital finance.

(b) No financing for civil works shall be provided for Investment Projects in manufacturing or for Investment Projects under which civil works expenditures are estimated to be less than 60% of total investment cost.

2. Sub-Loans shall be made only for Investment Projects and Investment Enterprises which meet eligibility and appraisal criteria satisfactory to the Bank.

3. The PCIs shall:

(a) charge on each Sub-Loan denominated in foreign currency (i) interest on the principal amount of the Sub-Loan withdrawn and outstanding at a floating annual rate which shall exceed by not more than four percentage points the interest rate applicable to the Loan, from time to time, pursuant to Section 2.05 of this Agreement, and (ii) a commitment fee on the unwithdrawn amount of the Sub-Loan at the rate of 3/4 of 1% per annum;

(b) charge on each Sub-Loan denominated in Turkish Lira (i) interest on the amount of the Sub-Loan withdrawn and outstanding at a floating rate, to be determined in accordance with the rules and procedures prescribed in the FERIS, and (ii) a commission fee on the amount of the Sub-Loan withdrawn and outstanding at the rate of 2% per annum; and

(c) require the repayment of each Sub-Loan over a period not exceeding ten years, including a grace period not exceeding three years.

4. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-Loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred eighty days prior to the date on which the Bank shall have received the application and information required under paragraph 5 (a) of this Schedule in respect of such Sub-Loan; or

(b) the Sub-Loan for such Investment Project shall have been a free-limit Sub-Loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred eighty days prior to the date on which the Bank shall have received the request and information required under paragraph 5 (b) of this Schedule in respect of such free-limit Sub-Loan. For the purposes of this Agreement, a free-limit Sub-Loan shall be a Sub-Loan for an Investment Project which shall not exceed an amount to be determined by the Bank.

5. (a) When presenting a Sub-Loan (other than a free-limit Sub-Loan) to the Bank for approval, the PCI shall furnish to the Bank an application, in form satisfactory to the Bank, together with (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-Loan, including the schedule of amortization of the Sub-Loan; (iii) a statement as to whether the Investment Project would produce any adverse environmental impact and, when necessary, the adequate remedial action to be taken in connection therewith; and (iv) such other information as the Bank shall reasonably request.

(b) Each request by a PCI for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-Loan shall contain (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan, (ii) a statement as to whether the Investment Project would

produce any adverse environmental impact and, when necessary, the adequate remedial action to be taken in connection therewith; and (iii) the terms and conditions of the Sub-Loan, including the schedule of amortization therefor.

(c) Notwithstanding anything to the contrary contained in sub-paragraphs (a) and (b) of this paragraph, in respect of at least 10% of the free-limit Sub-loans made by it, a PCI shall furnish to the Bank the documents referred to in sub-paragraphs (a) (i) through (iv) of this paragraph for ex post facto review.

(d) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1992.

6. Sub-Loans shall be made on terms whereby the PCI shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank, and the Borrower and the PCI, including the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(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 provisions of the Schedule to the Project Agreement and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

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

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall 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 Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank, the Borrower or the PCI shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the PCI.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in

accordance with the provisions of Schedule 1 to this Agreement;  
and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to 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 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan 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; (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

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) 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 sub-paragraph 5 (d) of Schedule 4 to the Loan Agreement, the Bank 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 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."

#### SCHEDULE 7

##### Procurement under Part B (2) and (3) of the Project

1. Items of goods shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from countries eligible under the

"Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), in accordance with procedures acceptable to the Bank.

2. In order to assist the Borrower in the carrying out of Part B (2) and (3) of the Project, the Borrower shall employ or cause to be employed 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.

