

CONFORMED COPY

LOAN NUMBER 3262 MOR

(Second Rural Electrification Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 14, 1991

LOAN NUMBER 3262 MOR

LOAN AGREEMENT

AGREEMENT, dated June 14, 1991, between KINGDOM OF MOROCCO (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) the Project will be carried out by the National Electricity Authority (ONE) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ONE the proceeds of the Loan as provided in this Agreement;

(C) by an agreement transmitted to the Bank under cover of a letter dated August 7, 1990 from the Borrower, (the Implementation Agreement) between the Borrower's Ministries of Interior, Finance

and Energy and Mines, and ONE, the Borrower and ONE have agreed to undertake certain obligations in respect of the carrying out 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 and in the Project Agreement of even date herewith between the Bank and ONE;

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

(a) "ONE" means the National Electricity Authority (Office National de l'Electricite), a public enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-63-226 dated August 5, 1963, as the same may be amended from time to time;

(b) "Project Agreement" means the agreement between the Bank and ONE 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;

(c) "Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and ONE 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 Financing Agreement;

(d) "Special Account" means each of the accounts referred to in Section 2.02 (b) of this Agreement; and "Special Accounts" means collectively all of said accounts;

(e) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(f) "Power Sub-sector Development Action Plan" means the Borrower's plan of actions outlined in Schedule 5 to this Agreement to be carried out in accordance with the provisions of Section 4.02 of this Agreement;

(g) "Basic Law" means the Law (Dahir) No. 1-63-226 dated August 5, 1963, referred to in sub-paragraph (a) of this Section, pertaining to the establishment and operations of ONE; and

(h) "Fundamental Legislation" means the Laws (Dahir) No. 1-59-271 dated April 14, 1960 and No. 1-61-402 dated June 30, 1962, pertaining to the Borrower's financial control of public enterprises, including ONE, as the same may be amended from time to time.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred fourteen million dollars (\$114,000,000),

being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in a currency and at a financial institution on terms and conditions satisfactory to the Bank: (i) a special account designated "Special Account A" in respect of Part A (2) of the Project; and (ii) a special account designated "Special Account B" in respect of Parts A (1), A (3) and B of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1997 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding

Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause ONE to perform in accordance with the provisions of the Project Agreement all the obligations of ONE therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ONE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available to ONE the proceeds of the Loan as follows: (i) an amount equivalent to ninety-six million five hundred thousand dollars (\$96,500,000) on a grant basis in respect of Categories (1) (b), (2) (b), (3) and (4) ("Tranche A"); and (ii) an amount equivalent to seventeen million five hundred thousand dollars (\$17,500,000) under a subsidiary financing agreement (the Subsidiary Financing Agreement) to be entered into between the Borrower and ONE, under terms and conditions which shall have been approved by the Bank and which shall include, without limitation, those set forth in Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Financing Agreement 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 Financing Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, the Borrower shall ensure that the procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by ONE pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of 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, including those for the Special 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 seven (7) 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, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. In accordance with the Borrower's objective of improving the operations and financial efficiency of the power sub-sector, the Borrower shall take or cause to be taken all measures necessary to ensure that the Power Sub-sector Development Action Plan shall be carried out with due diligence and efficiency.

Section 4.03. In order to facilitate the proper implementation of each of ONE's investment programs referred to in Section 3.04 (b) of the Project Agreement, the Borrower shall take all measures necessary to enable ONE to implement the plan, referred to in said Section, for the financing of said investment programs, as they shall have been approved by the Borrower.

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) ONE shall have failed to perform any of its obligations under the Project Agreement.

(b) The Basic Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ONE to perform any of its obligations under

the Project Agreement.

(c) The Fundamental Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ONE 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 ONE or for the suspension of its operations.

(e) Any of the parties to the Implementation Agreement shall have failed to perform any of its respective obligations under the Implementation Agreement, so as to affect materially and adversely the carrying out of the Project.

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

(a) any of the events specified in paragraphs (a), (c), (d) and (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) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Financing Agreement has been executed on behalf of the Borrower and ONE.

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 ONE, and is legally binding upon ONE in accordance with its terms; and

(b) that the Subsidiary Financing Agreement has been duly authorized or ratified by the Borrower and ONE and is legally binding upon the Borrower and ONE in accordance with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministcre des Finances
Rabat
Kingdom of Morocco

Cable address:

Telex:

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:

197688 (TRT),
 248423 (RCA),
 64145 (WUI) or
 82987 (FTCC)

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.

KINGDOM OF MOROCCO

By /s/ S.E. Mohammed Belkhayat Zougari
 Authorized Representative

INTERNATIONAL BANK FOR
 RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis
 Acting 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) Goods)	100% of foreign expenditures,
(a) for Part A(2) of the Project	8,000,000)	100% of local expenditures (ex-factory cost) and 78% of
(b) for Parts A(1), A(3) and B of the Project	35,400,000)	local expenditures for other items procured locally
(2) Works)	56%
(a) for Part A(2) of the Project	9,500,000)	

	(b) for Parts A(1) and A(3) of the Project	54,200,000)))
(3)	Consultants' services	2,700,000	100%
	Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4)	Training	200,000	100% of foreign expenditures
(5)	Unallocated	4,000,000	
	TOTAL	114,000,000	=====

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 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 to: (1) develop and upgrade the power distribution network in rural areas of the Borrower's territory; and (2) implement institutional and policy reforms designed to improve the financial and economic efficiency of the Borrower's power 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:

Carrying out of a program to provide electrical power to about 465 villages in rural areas, consisting of the:

- (1) construction of about 5,850 kilometers of medium- and low-voltage power lines and distribution transformers and regional operating facilities;
- (2) construction of about 170,000 consumer connections; and
- (3) provision of vehicles and specialized equipment required for the proper operation and maintenance of the power distribution network constructed under the Project.

Part B:

- (1) Carrying out of a program to develop and implement suitable policies and procedures for the: (a) implementation of a national tariff policy for the Borrower's power sub-sector; (b) proper monitoring and

control of works related to the development of the power distribution network; and (c) management of ONE's inventory;

- (2) carrying out of a training program to strengthen the skills of ONE's staff in the design and marketing of power distribution systems; and
- (3) provision of computer hardware and software required for the carrying out of the programs under Parts B (1) and B (2) of the Project.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
January 15, 1996	2,075,000
July 15, 1996	2,155,000
January 15, 1997	2,240,000
July 15, 1997	2,325,000
January 15, 1998	2,415,000
July 15, 1998	2,510,000
January 15, 1999	2,605,000
July 15, 1999	2,710,000
January 15, 2000	2,815,000
July 15, 2000	2,920,000
January 15, 2001	3,035,000
July 15, 2001	3,155,000
January 15, 2002	3,275,000
July 15, 2002	3,400,000
January 15, 2003	3,535,000
July 15, 2003	3,670,000
January 15, 2004	3,815,000
July 15, 2004	3,960,000
January 15, 2005	4,115,000
July 15, 2005	4,275,000
January 15, 2006	4,440,000
July 15, 2006	4,610,000
January 15, 2007	4,790,000
July 15, 2007	4,975,000
January 15, 2008	5,170,000
July 15, 2008	5,370,000
January 15, 2009	5,575,000
July 15, 2009	5,795,000
January 15, 2010	6,020,000
July 15, 2010	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	0.15
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

Principal Terms and Conditions of the Subsidiary Financing Agreement

Except as the Bank and the Borrower shall otherwise agree, the principal terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

1. The Borrower shall relend to ONE the proceeds of the Loan allocated from time to time to Categories (1) (a) and (2) (a) ("Tranche B").
2. The principal amount of Tranche B shall be the equivalent in the currency of the Borrower (determined as of the date or respective dates of repayment by ONE) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of the cost of goods and works for Part A (2) of the Project to be financed out of the proceeds of the Loan allocated from time to time to Categories (1) (a) and (2) (a).
3. Tranche B shall have a maturity of not more than twenty (20) years, inclusive of a grace period of not more than five (5) years.
4. Tranche B shall be charged on the principal amount thereof, withdrawn and outstanding from time to time, interest at a rate not less than the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.

SCHEDULE 5

Power Sub-sector Development Action Plan

For purposes of Section 4.02 of this Agreement the Power Sub-sector Development Action Plan shall consist of the following:

A. Tariff Study

The Borrower shall:

1. carry out, under terms of reference satisfactory to the Bank, a study to develop structures and levels of electricity tariffs for its power sub-sector which take into account the long run marginal cost of electric power, as well as the Borrower's objective of ensuring the financial soundness of ONE and other public electricity

distribution utilities;

2. define and decide upon, not later than December 31, 1990, the basic elements of its national tariff structure for its power sub-sector, and furnish to the Bank promptly upon its completion a copy of said study, together with the recommendations based thereon; and

3. afford the Bank a reasonable opportunity to exchange views with the Borrower on the results and conclusions of said study, and thereafter take all measures necessary at the time of each tariff adjustment to ensure the gradual implementation of such recommendations so as to carry out, not later than June 30, 1992, its national tariff policy for its power sub-sector based on the recommendations of said study, as they shall have been agreed upon between the Borrower and the Bank.

B. Sector Arrears

1. The Borrower shall take all measures necessary to ensure that:

(a) each of its public agencies shall pay the balance of its electricity bills due and payable as of December 31, 1990, in three (3) equal installments, with the first installment due not later than December 31, 1991, the second installment due not later than December 31, 1992 and the third installment due not later than December 31, 1993;

(b) each of its public agencies shall pay its electricity bills, other than those referred to in subparagraph 1 (a) of this Part B, promptly upon the issuance thereof in accordance with guidelines satisfactory to the Bank; and

(c) beginning fiscal year ending December 31, 1991, budgetary allocations shall be made for each fiscal year in the relevant budget or budgets of its public agencies in amounts sufficient to ensure the fulfillment of the obligations set forth in sub-paragraphs 1 (a) and 1 (b) of this Part B.

2. For purposes of this Section:

(a) the term "public agencies" means the Borrower's ministries, departments and political or administrative subdivisions; and

(b) the term "electricity bills" means, in respect of each of the public agencies, the amounts periodically billed by ONE and other electricity distribution utilities to such public agencies for the supply of electricity and the provision of related works and services by ONE and such other electricity distribution utilities to such public agencies.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) (a) and (2) (a) for purposes of the Special Account A, and Categories (1) (b) and (2) (b), (3) and (4) for purposes of the Special Account B 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 Allocations" means an amount equivalent to \$900,000 to be withdrawn from the Loan Account and

deposited in the Special Account A, and an amount equivalent to \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account B, pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocations, 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 Allocations. 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 Accounts such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Bank requests for deposits into the Special Accounts 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 Accounts 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 Accounts 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 Accounts, 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 Accounts:

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

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocations.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such

amounts remaining on deposit in the Special Accounts 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 Accounts: (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 Accounts (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 Accounts 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 Accounts 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 Accounts.

(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.

