

CONFORMED COPY

LOAN NUMBER 3671 TUN

Loan Agreement

(Private Investment Credit Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

REPUBLIC OF TUNISIA

Dated February 14, 1994

LOAN NUMBER 3671 TUN

LOAN AGREEMENT

AGREEMENT, dated February 14, 1994, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the REPUBLIC OF TUNISIA (the Borrower).

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 is to be executed by the Central Bank of Tunisia (Banque Centrale de Tunisie) (the Central Bank) under an Execution Agreement (as hereinafter defined) to be entered into between the Borrower and the Central Bank;

(C) 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

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 7 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) "Action Plan" means the plan of actions and policies designed to improve the soundness and efficiency of a Participating Bank (as hereinafter defined), to be set forth in a letter from such Participating Bank to the Central Bank (as hereinafter defined) pursuant to the provisions of subparagraphs 2 (a) (viii) of the Annex to Schedule 4 to this Agreement;

(b) "ANPE" means the Borrower's National Agency for the Protection of the Environment (Agence Nationale pour la Protection de l'Environnement) established and operating pursuant to the Borrower's Law No. 88-91 dated August 2, 1988, and the Decree No. 88-1784, dated October 18, 1988, as the same may be amended from time to time;

(c) "Basic Law" means the Borrower's Law No. 58-90, dated September 19, 1958, pursuant to which the Central Bank has been established and is operating, as the same may be amended from time to time;

(d) "Category" means any 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;

(e) "Circular" means Circular (Circulaire) No. 91-24 issued by the Central Bank on December 17, 1991, setting forth prudential regulations applicable to banking institutions, as the same may be amended from time to time;

(f) "Decree 91-362" means the Borrower's Decree No. 91-362 dated March 13, 1991, regarding the preparation of environmental impact assessment;

(g) "Execution Agreement" means the agreement to be entered into between the Borrower and the Central Bank pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(h) "Finance Company" means a financial leasing company with which the Borrower shall have entered into a Subsidiary Financing Agreement (as hereinafter defined);

(i) "Finance Company Loan Agreement" means a loan agreement of even date herewith between a Finance Company and the Bank;

(j) "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(k) "free-limit Lease Financing" means a Lease Financing (as hereinafter defined), which qualifies as a free-limit Lease Financing pursuant to the provisions of subparagraph 7 (b) of Schedule 5 to this Agreement;

(l) "free-limit Sub-loan" means a Sub-loan (as hereinafter defined), which qualifies as a free-limit Sub-loan pursuant to the provisions of subparagraph 7 (b) of Schedule 5 to this Agreement;

(m) "Investment" means an equity investment, other than a Sub-loan (as hereinafter defined), made or proposed to be made by a

Participating Bank (as hereinafter defined) out of the proceeds of the Loan in a Private Enterprise (as hereinafter defined) for the purposes of carrying out an Investment Project under Part A of the Project;

(n) "Development Bank" means a banking institution which qualifies as such pursuant to the provisions of the Borrower's Law No. 67-51, dated December 7, 1967, setting forth the regulation of the banking profession, as the same may be amended from time to time;

(o) "Investment Project" means a specific development project to be carried out by a Private Enterprise (as hereinafter defined) under Part A of the Project utilizing the proceeds of a Sub-loan (as hereinafter defined), or an Investment, or a Lease Financing (as hereinafter defined);

(p) "Lease Financing" means a financing provided or to be provided by a Finance Company out of the proceeds of the Loan to a Private Enterprise to finance the lease of (with the option to purchase) vehicles and/or equipment for purposes of carrying out an Investment Project under Part A of the Project, involving the periodical payment to such Finance Company a rental fee consisting in part of an amortization component as set forth in subparagraph 5 (b) of Schedule 5 of this Agreement;

(q) "Participating Bank" means a deposit or development banking institution with which the Borrower shall have entered into a Subsidiary Financing Agreement (as hereinafter defined);

(r) "Participating Bank Loan Agreement" means a loan agreement of even date herewith between a Participating Bank and the Bank;

(s) "Participating Financial Intermediary" means any or each Participating Bank or Finance Company;

(t) "Private Enterprise" means an enterprise operating in any sector of the economy, except farming and construction of housing and land development for housing: (i) in which at least 50% of the outstanding voting stock or other proprietary interest is owned or effectively controlled by a private individual, a partnership of private individuals, or an enterprise in which not more than 50% of the stock or other proprietary interest is owned or effectively controlled by a Public Enterprise (as hereinafter defined) or the Borrower or any of its political or administrative sub-divisions or agencies; and (ii) to which a Participating Financial Intermediary proposes to make or has made a Sub-loan or proposes to provide or has provided a Lease Financing or in which a Participating Bank proposes to make or has made an Investment;

(u) "Project Preparation Advances" means collectively the project preparation advances No. 173-0 and 173-1, granted by the Bank to the Borrower pursuant to the exchange of letters dated August 3, 1990, and September 6, 1991, respectively, between the Borrower and the Bank;

(v) "Public Enterprise" means: (i) a non-administrative public institution (tablissement public n'ayant pas un caract re administratif); (ii) an enterprise in which 100% of the stock is owned by the Borrower; (iii) an enterprise in which more than 50% of the stock is owned, individually or jointly, by the Borrower, public local communities (collectivite s publiques locales), public institutions (tablissements publics), and enterprises in which 100% of the stock is owned by the Borrower; or (iv) an enterprise included in a list established or to be established by the decree referred to in Article 9 of the Borrower's Law No. 89-9, dated February 1, 1989;

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

(x) "Sub-loan" means a loan made or proposed to be made by a Participating Bank out of the proceeds of the Loan to a Private Enterprise for purposes of carrying out an Investment Project under Part A of the Project;

(y) "Subsidiary Financing" means a loan made or proposed to be made to a Participating Financial Intermediary by the Borrower out of the proceeds of the Loan for purposes of carrying out the Project; and

(z) "Subsidiary Financing Agreement" means an agreement entered or to be entered into between the Borrower and a Participating Financial Intermediary pursuant to subparagraph 2 (a) of Schedule 4 to 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, various currencies that shall have an aggregate value equivalent to the amount of fifty million dollars (\$50,000,000), 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: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower, directly or through a Participating Financial Intermediary, on account of withdrawals made by a Private Enterprise under a Sub-loan, Investment, or Lease Financing to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal of the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Part B of the Project 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 the Central Bank a special deposit account in dollars 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 8 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advances withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1999 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 in 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 February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project Management and Operations of the Borrower

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:

(i) carry out the Project through the Central Bank with due diligence and efficiency and in conformity with appropriate administrative, economic, environment, financial and technical practices, and cause the Central Bank to perform, in accordance with the provisions of the Execution Agreement and the Implementation

Program set forth in Schedule 4 to this Agreement, all the obligations of the Central Bank therein set forth; (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Central Bank to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall enter into an Execution Agreement with the Central Bank, under terms and conditions satisfactory to the Bank, setting forth the arrangements necessary for relending the proceeds of the Loan to the Participating Financial Intermediaries and for the execution of the Project by the Central Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures in respect of the Project.

(b) The Borrower shall:

- (i) have its 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 (6) 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 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 (l) of the General Conditions, the following additional events are specified:

(a) the Execution Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Central Bank to perform any of its obligations thereunder; and

(b) the Basic Law or the Circular shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Central Bank or its ability to carry out the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, any of the events specified in 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 Borrower and the Central Bank shall have concluded the Execution Agreement in accordance with the provisions of Section 3.01 (b) of this Agreement; and

(b) At least one Subsidiary Financing Agreement shall have been executed by the Borrower and a Participating Financing Intermediary.

Section 6.02. The following is 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) the Execution Agreement referred to in Section 6.01 (a) of this Agreement has been duly authorized or ratified by the Borrower and the Central Bank and is legally binding upon the Borrower and the Central Bank in accordance with its terms; and

(b) the Subsidiary Financing Agreement referred to in Section 6.01 (b) of this Agreement has been duly authorized or ratified by the Borrower and Participating Financial Intermediary which is a party thereto and is legally binding upon the Borrower and such Participating Financial Intermediary in accordance with its terms.

Section 6.03. The date one hundred twenty (120) 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 International Cooperation and Foreign Investment 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 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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For the Borrower:

Ministry of International Cooperation
and Foreign Investment
149, Avenue de la Liberté
1002 Tunis-Belvédère
Republic of Tunisia

Cable address:

MCIIE

Telex:

18060

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caio Koch-Weser
Regional Vice President
Middle East and North Africa

REPUBLIC OF TUNISIA

By /s/ Ismail Khelil
Authorized Representative

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
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(1)	Sub-Loans under Part A of the Project	41,300,000	100%
(2)	Investments under Part A of the Project	2,500,000	100%
(3)	Lease Financing under Part A of the Project	5,000,000	100%
(4)	Consultants' Services and Training under Part B of the Project	500,000	100%
(5)	Refunding of Project Preparation Advances	700,000	Amount due pursuant to Section 2.02 (c) of this Agreement
	TOTAL	50,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of a Sub-loan, an Investment or a Lease Financing, unless the Sub-loan, Investment, or Lease Financing, as the case may be, has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement and until the Borrower shall have furnished to the Bank a duly executed copy of the Subsidiary Financing Agreement entered into between the Borrower and the Participating Financial Intermediary which has made the Sub-loan or Investment or provided the Lease Financing, as the case may be, in connection with which withdrawals are requested.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) assist the Participating Financial Intermediaries in financing such productive facilities and activities as will contribute to the development of the private sector and the strengthening of the Private Enterprises' capability to adapt to an increasingly competitive environment; and (ii) promote competition within the financial system.

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:

Provision of Sub-loans, Investments, and Lease Financing to finance specific development projects for the establishment, expansion and upgrading of the productive facilities of Private Enterprises, and to assist them in strengthening and/or restructuring their organization, management and operation.

Part B:

Strengthening of the monitoring and management capabilities of Participating Banks, including the development of a suitable information system to monitor risk assets, the establishment of criteria and a warning system to identify problem loans, and the enhancement of the Participating Banks' capacity to prepare enterprise diagnosis.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 1 and August 1 beginning August 1, 1999 through August 1, 2010	2,085,000
And on February 1, 2011	2,045,000

* 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	1.00

maturity

SCHEDULE 4

Implementation Program

1. The provisions of this Schedule shall apply for purposes of Section 3.01 of this Agreement and shall be incorporated, as appropriate, in the Execution Agreement.
2. The Borrower shall:
 - (a) For the purposes of carrying out the Project, make available to the Participating Financial Intermediaries the proceeds of the Loan allocated from time to time to Categories (1), (2), (3) and (4) under Subsidiary Financing Agreements to be entered into between the Borrower and each Participating Financial Intermediary: (i) on the basis of the eligibility criteria set forth in Section A of the Annex to this Schedule; and (ii) in accordance with terms, conditions, and procedures satisfactory to the Bank, the Borrower and the Central Bank, which shall include, without limitation, those set forth in Sections B and C of the Annex to this Schedule;
 - (b) Monitor and supervise the overall execution of the Project;
 - (c) Cause the Central Bank to monitor and supervise the carrying out by each Participating Financial Intermediary of its respective obligations under the Subsidiary Financing Agreement to which it is a party in accordance with policies and procedures satisfactory to the Bank;
 - (d) Exercise its rights under the Subsidiary Financing Agreements in such a manner as to protect the interests of the Bank and the Borrower and achieve the purposes of the Project;
 - (e) Not assign, amend, abrogate or waive any Subsidiary Financing Agreement or any provision thereof, unless the Bank shall otherwise agree; and
 - (f) Ensure that, except as the Bank and the Borrower shall otherwise agree, the aggregate amount of all Subsidiary Financing made available to any one Participating Financial Intermediary shall not exceed the equivalent of \$17,500,000.
3.
 - (a) The Bank and the Borrower shall, not later than eighteen (18) months after the Effective Date, exchange views on the progress of each Participating Bank in carrying out the Action Plan which it has adopted.
 - (b) For the purposes of subparagraph (a) above, the Borrower shall take all action necessary to ensure that two months prior to such exchange of views, the Central Bank furnish to the Borrower, for forwarding to the Bank for its review and comment, a report on the progress achieved by each Participating Bank in carrying out the Action Plan which it has adopted, in such detail as the Bank should reasonably request.
 - (c) If after an exchange of views pursuant to subparagraph 3 (a) above the Bank shall have reasonably considered as unsatisfactory the progress achieved by a Participating Bank in carrying out the Action Plan which it has adopted, the Bank may withhold the approval of applications or the authorization of withdrawals for Sub-loans (including free-limit Sub-loans) and Investments under subparagraphs 7 (a) and (b) of Schedule 5 to this Agreement in respect of such Participating Bank. Such withholding will continue until the Participating Bank shall have taken such remedial action, satisfactory to the Bank, as shall be necessary to achieve the objectives of the Action Plan.
4.
 - (a) The Borrower shall, on the basis of recommendations and

criteria agreed to with the Bank, prepare in consultation with all parties concerned for submission to the Bank not later than June 30, 1995, a report outlining measures to implement a strategy to foster the overall development of the Development Banks within the Borrower's banking and financial sector.

(b) The Borrower shall afford the Bank a reasonable opportunity to exchange views with the Central Bank and the Development Banks on said report and shall promptly thereafter introduce the necessary revisions in the report as approved by the Bank.

ANNEX TO SCHEDULE 4

Criteria, Principal Terms and Conditions of Subsidiary Financing Agreements

1. Except as the Bank and the Borrower shall otherwise agree, the criteria, principal terms and conditions set forth or referred to in this Annex shall apply for the purposes of subparagraph 2 (a) Schedule 4 to this Agreement.

Section A: Eligibility Criteria

2. A Subsidiary Financing Agreement may be entered into with a Participating Bank or Finance Company, duly established and operating in the territory of the Borrower, in respect of which the Borrower shall have established to the satisfaction of the Bank that:

(a) The Participating Bank: (i) is operating pursuant to investment and lending policies and procedures acceptable to the Bank, the Borrower, and the Central Bank, and has undertaken to maintain said policies and procedures; (ii) has completed an audit for the most recent completed Fiscal Year, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, in accordance with the principles of the Circular; (iii) has a sound financial structure, including, inter alia, a risk-weighted capital ratio of not less than 2.5%, calculated in accordance with the provisions of the Circular, for the year it has been audited; (iv) is in a position to maintain a risk-weighted capital ratio of not less than 5% calculated in accordance with the provisions of the Circular, for each of its Fiscal Years after Fiscal Year ending on December 31, 1993; (v) has adequate organization, management, staff and other resources necessary for its efficient operation; (vi) applies appropriate procedures for appraisal, supervision, and monitoring of Investment Projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Investment Projects; (vii) has adopted a Medium-term Strategy acceptable to the Bank, including limitations on sectoral exposure for its medium and long-term loan and equity investment portfolios; (viii) has adopted, if considered necessary by the Bank, an Action Plan satisfactory to the Bank and the Central Bank; and (ix) holds, except as the Bank shall otherwise agree in the case of a Participating Bank which shall have entered into a Participating Bank Loan Agreement, an adequate expected minimum pipeline of Investment Projects of not less than: (A) \$4,000,000 equivalent potential Sub-Loans, in the case of deposit Participating Banks; and (B) \$10,000,000 equivalent potential Sub-Loans, in the case of development Participating Banks.

(b) The Finance Company: (i) is operating pursuant to investment and financial leasing policies and procedures acceptable to the Bank, the Borrower, and the Central Bank, and has undertaken to maintain said policies and procedures; (ii) has completed an audit for the most recent completed Fiscal Year, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, in accordance with the principles of the Circular; (iii) has a sound financial structure, including, inter alia, compliance for the year it has been audited with provisions on classification of risk assets, provisioning for risk assets, and minimum capital requirements, according to the

provisions of the Circular, and possibility of maintenance thereafter for each of its Fiscal Year of a financial structure required to enable it to comply with the requirements of the Circular; (iv) has had profitable operations for at least the last completed Fiscal Year; (v) has adequate organization, management, staff and other resources necessary for its efficient operation; (vi) has appropriate procedures for appraisal, supervision, and monitoring of Investment Projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Investment Projects; (vii) has adopted a Medium-term Strategy acceptable to the Bank, including limitations on sectoral exposure for its Lease Financing' portfolios; and (viii) holds, except as the Bank shall otherwise agree in the case of a Finance Company which shall have entered into a Finance Company Loan Agreement, an adequate expected minimum annual approval of Lease Financings for Investment Projects of not less than \$2,000,000 equivalent.

Section B: Terms

3. (a) The principal amount to be made available out of the proceeds of the Loan to a Participating Financial Intermediary under its respective Subsidiary Financing Agreement shall: (i) be denominated in Tunisian dinars; and (ii) in the case of:

- (A) Participating Banks be: (I) the equivalent in Tunisian dinars of the aggregate amount of the principal of all Sub-Loans and the aggregate amount of all Investments made out of the proceeds of the Loan pursuant to the Subsidiary Financing Agreement providing for such Subsidiary Financing; and (II) the equivalent in Tunisian dinars (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 by such Participating Financial Intermediary on account of the cost of services to be carried out under Part B of the Project and to be financed out of the proceeds of the Loan allocated from time to time to Category (3).
- (B) Finance Companies be the equivalent in Tunisian dinars of the aggregate amount of the principal of all Lease Financing made out of the proceeds of the Loan pursuant to the Subsidiary Financing Agreement providing for such Subsidiary Financing.

(b) Each Subsidiary Financing shall: (i) be charged on the principal amount thereof withdrawn and outstanding from time to time: (A) interest set forth at the money market interest rate, plus an additional charge equal to fifty (50) basis points, as shall be calculated on the basis of guidelines acceptable to the Bank; provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall be equal at least to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement; and (B) a commitment fee equal to the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.04 of this Agreement calculated on the principal amount of the Subsidiary Financing not withdrawn from time to time; and (ii) be repaid in accordance with an amortization schedule calculated to have a maturity not exceeding the maturity of the Loan.

4. For the purposes of this Schedule:

(a) the term "arrears" means any interest and/or principal payment on a loan which is overdue by more than ninety (90) days;

(b) the term "money market rate" means the average annual interest rate paid by Participating Banks in the Borrower's interbank market, as such rate is posted on a daily basis by the Central Bank; and

(c) the term "risk-weighted capital ratio" means the Participating Financial Intermediary's ratio of capital to risk-weighted assets and off-balance sheet items, as the same is defined to the date of this Agreement in the Circular.

Section C: Conditions

5. Each Subsidiary Financing Agreement shall contain provisions pursuant to which each Participating Financial Intermediary shall undertake to:

(a) Carry out its activities under the Project and conduct its operations and affairs with sound financial standards and practices, with qualified management and personnel in adequate numbers, and in conformity with the investment and lending or financial leasing policies and procedures referred to, as the case may be, in subparagraphs 2 (a) (i) and 2 (b) (i) of Section A of this Annex;

(b) Make Sub-loans or Investments or provide Lease Financing on the basis of the criteria and in accordance with the procedures, terms and conditions set forth or referred to in Schedule 5 to this Agreement;

(c) Ensure that, except as the Bank and the Borrower shall otherwise agree: (i) the aggregate amount of all Sub-loans made to any one Private Enterprise or the aggregate amount of all Lease Financing provided to any one Private Enterprise, as case may be, shall not exceed the equivalent of \$3,000,000; and (ii) the estimated cost of any one Investment Project shall not exceed the equivalent of \$25,000,000 (excluding the cost of land acquisition);

(d) Exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under its respective Subsidiary Financing Agreement and achieve the purposes of the Project; and (iii) not assign, abrogate, amend, or waive any of its agreements providing for Sub-loans, Investments, or Lease Financings without prior approval of the Borrower;

(e) Take all actions necessary to ensure that Private Enterprises are furnished in adequate time with all the information required for the carrying out of an environmental impact assessment pursuant, inter alia, to Decree 91-362, and for the timely submission of such assessment to ANPE for approval;

(f) Ensure that (i) goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 6 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project; and

(g) (i) maintain procedures and records adequate to monitor and record the progress of each Investment Project (including its cost and the benefits to be derived from it) financed by a Sub-loan or supported by an Investment or Lease Financing, and the progress under Part B of the Project, and to reflect in accordance with consistently maintained accounting practices the operations and financial conditions of the Participating Financial Intermediary; (ii) have the records referred to in subparagraph (i) hereof, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the accounts for each Investment Project for each Fiscal Year audited, in accordance with sound auditing principles consistently applied, by independent auditors and according to terms of reference, both acceptable to the Bank; (iii) furnish to the Bank as soon as available but in any case not later than six (6) months

after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iv) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request; and

(h) Ensure that, for the purposes of subparagraphs 2 (a) (iv) and 2 (b) (iii) of Section A of this Schedule, before July 31 in each of its Fiscal Years, the Participating Financial Intermediary shall, on the basis of forecasts prepared by the Participating Financial Intermediary and satisfactory to the Bank, review whether it would meet the requirements set forth in said subparagraphs in respect of such Fiscal Year and the next following Fiscal Year, and shall furnish to the Borrower for forwarding to the Bank, the results of such review upon its completion. If any such review shows that the Participating Financial Intermediary would not meet the requirements set forth in subparagraphs 2 (a) (iv) or 2 (b) (iii) of said Section A, as the case may be, for the Participating Financial Intermediary's Fiscal Year covered by such review, the Participating Financial Intermediary shall promptly take all measures satisfactory to the Bank in order to meet such requirements.

6. Except as the Bank and the Borrower may otherwise agree, each Participating Financial Intermediary shall: (i) open and thereafter maintain on its books, in accordance with its normal financial practices and on conditions satisfactory to the Bank, a separate account to which it shall credit, as the case may be, each payment of: (A) interest or other charges on, or repayment of principal payments under, any Sub-loan; (B) dividends, or recovery of capital under, any Investment; and (C) rental payments under any Lease Financing, in all cases promptly upon receipt thereof; and (ii) utilize all amounts so credited to said separate account, to the extent they are not yet required to meet said Participating Financial Intermediary's payment or repayment obligations to the Borrower under its respective Subsidiary Financing Agreement, exclusively to finance additional development projects to further the development of the Borrower's private sector in accordance with guidelines satisfactory to the Bank.

7. The right of a Participating Financial Intermediary to the use of the proceeds of its respective Subsidiary Financing shall be: (i) suspended upon failure of such Participating Financial Intermediary to perform any of its obligations under the Subsidiary Financing Agreement to which it is a party, or to continue to be in compliance with any of the eligibility criteria set forth in paragraph 2 of Section A of this Annex, with the exception, respectively, of the requirements set forth in subparagraph 2 (a) (ix) in the case of Participating Banks, and those set forth in subparagraph 2 (b) (viii) in the case of Finance Companies; and (ii) terminated if such right shall have been suspended pursuant to subparagraph (i) hereof for a continuous period of sixty (60) days.

SCHEDULE 5

Procedures for and Terms and Conditions of Sub-loans, Investments, and Lease Financings

1. Except as the Bank and the Borrower may otherwise agree, the provisions set forth or referred to in this Schedule shall apply for the purposes of subparagraph 5 (b) of Section C of the Annex to Schedule 4 to this Agreement.

2. Each Sub-loan, Investment, or Lease Financing shall be made only to a Private Enterprise which shall have established to the satisfaction of the Participating Financial Intermediary making available the Sub-loan, Investment, or Lease Financing, as the case may be, on the basis of guidelines satisfactory to the Bank, that the Private Enterprise: (i) is creditworthy and profitable, and has a sound financial structure; and (ii) has organization, management,

staff and other resources required for the efficient carrying out of its operations, including the carrying out of the Investment Project.

3. Each Sub-loan, Investment, or Lease Financing shall be made available only for an Investment Project which, on the basis of appraisal procedures carried out in accordance with guidelines satisfactory to the Bank, including, if necessary, the preparation of an environmental impact assessment approved by ANPE pursuant to the requirements of Decree 91-362 and fulfillment of other applicable requirements determined by ANPE, is: (i) determined to be technically feasible and commercially, economically and financially viable; (ii) calculated to yield a financial rate of return of at least 12% and an economic rate of return of at least 10%; and (iii) designed in accordance with appropriate safety, health and environment guidelines satisfactory to the Bank.

4. (a) The principal amount of each Sub-loan shall: (i) be denominated and be the equivalent in Tunisian dinars (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 for the Investment Project to be carried out under such Sub-Loan and to be financed out of the proceeds of the Loan allocated from time to time to Category (1); and (iii) have a maturity of not more than 15 years, including a grace period of not more than 3 years; and (iv) be made on other terms and conditions, including those relating to interest rate and other charges determined in accordance with the Participating Bank's investment and lending policies and practices referred to in subparagraph 2 (a) (i) of Section A of the Annex to Schedule 4 to this Agreement.

(b) The amount of each Investment shall: (i) be denominated and the equivalent in Tunisian dinars (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 amount of the Investment for the Investment Project to be financed out of the proceeds of the Loan allocated from time to time to Category (2); (ii) be made on terms and conditions agreed upon on a case-by-case basis by the Participating Bank and the Private Enterprise, and in accordance with the Participating Bank's investment and lending policies and practices, including a divestiture policy satisfactory to the Participating Bank and the Bank containing a buy-back option for the Private Enterprise to purchase at any time the Participating Bank's equity at its estimated market or predetermined value; and (iii) be associated with additional capital investments by the Private Enterprise.

(c) Each Lease Financing shall: (i) be denominated and be the equivalent in Tunisian dinars (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 for the Investment Project to be carried out under such Lease Financing and to be financed out of the proceeds of the Loan allocated from time to time to Category (3); (ii) have a term of not more than seven (7) years, including a grace period for rental payments of not more than six (6) months; (iii) be made on other terms and conditions, including those relating to the schedule of rental payments and other charges determined in accordance with the Finance Company's investment and financial leasing policies and practices referred to in subparagraph 2 (b) (i) of Section A of the Annex to Schedule 4 to this Agreement; provided, however, that each rental payment in such schedule shall consist in part of an amortization component, which component shall be calculated as if: (A) the Lease Financing were a loan for the amount of the leased vehicles' and equipment's value; (B) each rental payment were a payment of interest and principal under such loan; and (C) each amortization component were the principal amount included in each such payment of interest and principal.

5. The proceeds of the Loan which may be withdrawn under a Sub-loan shall not exceed 70% of the cost of each Investment Project.

6. 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, Investment or Lease Financing for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Bank shall have received the application and information required under subparagraph 7 (a) of this Schedule in respect of such Sub-loan, Investment or Lease Financing; or

(b) the Sub-loan or Lease Financing for such Investment Project shall have been, respectively, a free-limit Sub-loan or free-limit Lease Financing for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety (90) days prior to the date on which the Bank shall have received the request and information required under subparagraph 8 (b) of this Schedule in respect of such free-limit Sub-loan or free-limit Lease Financing. For the purposes of this Agreement: (i) a free-limit Sub-loan shall be a Sub-loan, other than the first three Sub-loans to be made by each Participating Bank to which the Bank has not provided any other loan in any outstanding agreement between the Bank and such Participating Bank entered into before the date of this Agreement, for an Investment Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan by the Participating Bank making the Sub-loan, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Investment Project; and (ii) a free-limit Lease Financing shall be a Lease Financing, other than the first three Lease Financings to be made available by each Finance Company, for an Investment Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan by the Finance Company making available the Lease Financing, the proceeds of which have been or are being used for financing goods directly and materially related to such Investment Project.

7. (a) When presenting a Sub-loan or Lease Financing (other than a free-limit Sub-loan or free-limit Lease Financing) or an Investment to the Bank for approval, the Participating Financial Intermediary shall furnish to the Bank, through the Borrower, an application, in form satisfactory to the Bank, together with (i) a description of the Private 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, Investment or Lease Financing, including the schedule of amortization of the Sub-loan or schedule of rental payments under the Lease Financing; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan or free-limit Lease Financing shall contain: (i) a summary description of the Private Enterprise, including its scope of activities and ownership structure; the Investment Project, including, inter alia, a description of the expenditures proposed to be financed out of the proceeds of the Loan, total cost, financing plan, financial rate of return, the name of any banking institutions and financial leasing companies which proposes to finance the Investment Project, the proposed loan and/or equity share for each such banking institution and the proposed lease financing share for each such financial leasing company, financial ratios (satisfaction of eligibility criteria, or, if such criteria are not met, indication on the timing for satisfaction thereof), an environmental

impact assessment, if necessary, and, for Sub-Loans, the economic rate of return; and (ii) the terms and conditions of the Sub-loan or the Lease Financing, including interest rate, the schedule of amortization of the Sub-loan and grace period, or the schedule of rental payments under the Lease Financing, and collateral, if any.

(c) Applications and requests made pursuant to the provisions of subparagraphs 7 (a) and (b) shall be presented to the Bank on or before December 31, 1996; provided, however, that eighteen (18) months after the Effective Date, the Bank may withhold the approval of applications or the authorization of withdrawals under said subparagraphs pursuant to the provisions of subparagraph 3 (c) of Schedule 4 to this Agreement in respect of a Participating Bank. The Borrower shall promptly notify the concerned Participating Bank of the Bank's decision on such withholding.

8. Sub-loans, Investments, and Lease Financings shall be made on terms whereby the Participating Financial Intermediary shall obtain, by written contract with the Private Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including in the case of any Sub-Loan and Lease Financing and, to the extent that it shall be appropriate, in the case of any Investment, the right to:

(a) require the Private 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 Schedule 6 to this 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 Private 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 Private Enterprise to replace or repair such goods;

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

(f) require the Private Enterprise to comply with any requirements and conditions for the protection of the environment as shall have been determined by ANPE; and

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

SCHEDULE 6

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works under Part A of the Project shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation. In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods and works in accordance with the procedures described in Part A hereof, goods manufactured in the Republic of Tunisia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Contracts for goods and works estimated to cost the equivalent of \$5,000,000 or less per contract, may be procured under contracts awarded: (i) in accordance with established commercial practices acceptable to the Bank; and (ii) which shall ensure that goods and works shall be purchased 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.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract for goods or works estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 8 to this Agreement.

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

2. The figure of 20% is hereby specified for purposes of

paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. Services for Part A of the Project shall be: (i) retained in accordance with established commercial practices acceptable to the Bank; and (ii) purchased at a reasonable price, account being taken also of other relevant factors such as the time of delivery and their quality and the competence of the parties rendering them.

2. (a) In order to assist the Borrower in carrying out Part B of the Project, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

(b) Notwithstanding the provisions of paragraph 2 (a) above, the provisions of the Consultant Guidelines requiring prior review or approval of the Bank of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 7

Modifications of General Conditions

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

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

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

(c) 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 subparagraph 7 (c) of Schedule 5 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 subparagraph; 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 giving of such notice, such amount or portion of the Loan shall be cancelled."

SCH

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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; provided, however, that notwithstanding the provisions of subparagraph 6 (b) of Schedule 5 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans or free-limit Lease Financing, as the case may be, may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall

reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

