

CONFORMED COPY

LOAN NUMBER 3033 DO

Loan Agreement

(Industrial Free Zone Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BANCO CENTRAL DE LA REPUBLICA DOMINICANA

Dated December 4, 1989

LOAN NUMBER 3033 DO

AGREEMENT, dated December 4, 1989, between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank) and BANCO CENTRAL DE LA REPUBLICA DOMINICANA
(the Borrower).

WHEREAS (A) the Dominican Republic (the Guarantor)
and the Borrower, having been satisfied as to the
feasibility and priority of the Project described in
Schedule 1 to this Agreement, have requested the Bank to
assist in the financing of Part A of the Project;

(B) by an agreement (the Guarantee Agreement) of
even date herewith between the Guarantor and the Bank,
the Guarantor has agreed to guarantee the obligations of
the Borrower in respect of the Loan And to undertake such
other obligations as set forth in
the Guarantee Agreement;

(C) the Bank has received a letter dated January
25, 1989, from the Guarantor describing a program of
actions, objectives and policies designed to achieve the
development of industrial free zones in the Guarantor's
territory (hereinafter called the Program) and declaring
the Guarantor's commitment to the execution of the
Program;

(D) the Guarantor expects to receive a grant (the
Grant) in an amount equivalent to \$1,400,000 to assist in
financing Parts B, C and D of the Project on the terms
and conditions set forth in an agreement (the Grant

Agreement) to be entered into between the Guarantor and the financing institution providing such financing; 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 condition set forth in this Agreement:

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 3 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) "Sub-loan" means a loan made or proposed to be made by a Financial Intermediary and partially financed out of the proceeds of a FIDE Loan to an Investment Enterprise for an Investment Project;

(b) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 4 to this Agreement;

(c) "Investment Enterprise" means an enterprise to which a Financial Intermediary proposes to make or has made a Sub-loan;

(d) "Investment Project" means a specific development project related to the development of private industrial free zones and to be carried out by an Investment Enterprise partially financed utilizing the proceeds of a Sub-loan;

(e) "Charter" means the Organic Law of the Borrower, Law No. 6142 dated December 29, 1962, as amended to the date of this Agreement;

(f) "Operating Rules and Regulations" means the statement of lending and investment policy of Fondo de Inversiones par a el Desarrollo Economico approved by Junta Monetaria, the Board of Directors of the Borrower on September 22, 1988, including the credit regulations to be approved by such Junta pursuant to the provisions of Section 6.01 (a) of this Agreement;

(g) "FIDE" means Fondo de Inversiones para el Desarrollo Economico, a fund of the Borrower established pursuant to the Borrower's Resolution No. 13 of April 7, 1965;

(h) "FIDE Loan" means a loan made or proposed to be made by the Borrower, through FIDE, and partially financed out of the proceeds of the Loan to a Financial Intermediary for purposes of financing an Investment Project;

(i) "Financial Intermediary" means any bank or financing entity operating in the Guarantor's territory and included in the certificate dated January 20, 1989 furnished by the Borrower to the Bank, and any other bank or financing entity which has been approved by the Bank and the Borrower for participating in the carrying out of Part A of the Project;

(j) "Participation Agreement" means an agreement entered into, or to be entered into, between the Borrower and a Financial Intermediary for purposes of Part A of the Project pursuant to the provisions of Section 3.01 (b) of this Agreement;

(k) "CPI" means Consejo Promotor de Inversiones Extranjeras, constituted as a non-profit entity (entidad sin fines de lucro) operating under Law No. 520 of July 26, 1920 and its by-laws dated November 15, 1985, and registered on February 13, 1986, or any other institution or entity acceptable to the Bank which shall be designated by the Guarantor to assist in the implementation of Part C of the Project;

(l) "NCFZ" means Consejo Nacional de Zonas Francas Industriales, the Guarantor's National Council of Free Zones, established pursuant to Decree No. 507 of December 27, 1978, as amended to the date of this Agreement;

(m) "FIDE Technical Assistance Agreement" means the agreement to be made between the Guarantor and the Borrower pursuant to Section 3.02 (a) (i) of the Guarantee Agreement, as the same may be amended from time to time;

(n) "CPI Technical Assistance Agreement" means the agreement to be entered into between the Guarantor and CPI pursuant to Section 3.02 (a) (ii) of the Guarantee Agreement, as the same may be amended from time to time;

(o) "NCFZ Technical Assistance Arrangement" means the arrangement to be made between the Guarantor and NCFZ pursuant to Section 3.02 (a) (iii) of the Guarantee Agreement, as the same may be amended from time to time; and

(p) "peso" or "pesos" means the currency of the Guarantor.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of this Section to finance 90% of the amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by a Financial Intermediary under a FIDE Loan to meet the reasonable cost of goods and services required by an Investment Enterprise for the Investment Project in respect of which the withdrawal is requested.

(b) Notwithstanding the provisions of paragraph (a)

above, no withdrawals shall be made:

- (i) in respect of a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement;
- (ii) in respect of a Sub-loan unless the Bank shall have received evidence satisfactory to the Bank that the Financial Intermediary has entered into a Participation Agreement with the Borrower and that such Participation Agreement is in full force and effect and binding on the parties thereto in accordance with its terms; and
- (iii) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000, may be made on account of payments made for expenditures before that date but after December, 1988.

Section 2.03. The Closing Date shall be June 30, 1994, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for each Semester.

(c) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

ARTICLE III

Execution of Parts A and B 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 1 to this Agreement, and, to this end, shall: (i) carry out Parts A and B of the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the Charter and the Operating Rules and Regulations; (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the carrying out of Parts A and B of the Project; and (iii) without limitation to the provisions of subparagraph (a) (ii) above: (A) deposit in FIDE, by not later than November 30 each year, the amount required from FIDE as the Borrower's counterpart in the financing of FIDE Loans for the following year; and (B) not restrict or redirect the use of such funds for other purposes in FIDE operations.

(b) As part of the foregoing, the Borrower, through FIDE, shall enter into agreements, satisfactory to the Bank, with each Financial Intermediary to define the terms and conditions of the participation of such Financial Intermediary in the execution of Part A of the Project, such agreement to provide inter alia for:

- (i) the terms and conditions of FIDE Loans which shall be the same as those set forth for Sub-loans in Schedule 4 to this Agreement except that: (A) the spread applicable to FIDE Loans shall not exceed 1.5 percentage points; and (B) FIDE Loans shall finance up to 70% of the Investment Project costs and up to 95% of the Sub-loan in question and shall not exceed \$2,500,000 equivalent per Investment Enterprise and \$5,000,000 equivalent per Investment Enterprise when added to any outstanding Sub-loan made to such Investment Enterprise by any Financial Intermediary benefitting from FIDE Loans;
- (ii) the terms for Sub-loans, Investment Projects appraisals and supervision guidelines, reporting requirements, accounting, auditing, procurement and disbursement and Sub-loan approval procedures, including those set forth or referred to in Schedule 4 to this Agreement;
- (iii) the Financial Intermediaries undertaking to: (A) maintain separate records and accounts to reflect, in accordance with consistently maintained sound accounting practices, their operations, resources and expenditures in respect of Part A of the Project; (B) have the records and accounts referred to in (A) above and the financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with appropriate auditing principles

consistently applied, by independent auditors acceptable to the Bank; and (C) furnish to the Bank, through FIDE, not later than six months after the end of each fiscal year, certified copies of their financial statements for such year as so audited and the report of such audit by said auditors.

Section 3.02. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, FIDE Loans and Sub-loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Section 3.01 (b) of, and Schedule 4 to this Agreement.

(b) The Borrower shall 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 this Agreement; and (iii) achieve the purposes of the Project.

Section 3.03. Except as the Bank shall otherwise agree, 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 5 to this Agreement.

Section 3.04. The Borrower shall carry out the obligations set forth in Sections 9.06 and 9.07 of the General Conditions (relating to plans and schedules and records and reports, respectively) in respect of Parts A and B of the Project.

Section 3.05. The Borrower shall, not later than May 31, 1991, review with the Bank: (i) the status of implementation of Part A of the Project, including the adequacy of the on lending terms set forth in Schedule 4 to this Agreement in the light of the economic parameters existing in the Guarantor's territory and affecting such on-lending terms; and (ii) the estimated demand for industrial free zones development, the terms and conditions of future financing under such Part of the Project. If by August 31, 1991 the Bank and the Borrower shall not have reached agreement on the on-lending terms to be applied to Sub-loans to be made as of such date and on the number and cost of Investment Projects to be financed under the Project during the remainder of the Project implementation period, the Bank may refrain from approving or authorizing Sub-loans to be made commencing as of such date pursuant to the provisions of paragraph 3 of Schedule 4 to this Agreement.

Section 3.06. The Borrower shall: (a) not later than March 31, 1990, furnish to the Bank for its comments, the plan of action for the evaluation of the performance of the Financial Intermediaries' portfolio, including the mechanisms and criteria referred to in art B.1 (c) of the Project; and (b) carry out such plan of action taking into account the comments, if any, made by the Bank thereon.

Section 3.07. The Borrower shall: (a) not later than September 30 each year, furnish to the Bank for its comments, the training program to be carried out during the following year in respect of Part B.3 of the Project; and (b) carry out such yearly programs taking into account the comments, if any, made by the Bank thereon.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain procedures and separate records and accounts adequate to monitor and record the progress of Parts A and B of the Project and of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of FIDE.

Section 4.02. (a) The Borrower shall:

- (i) have the records and accounts referred to in Section 4.01 of this Agreement, and financial statements (balance sheets, statements of income and expenses and related statements) and for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank, as soon as available but in any case not later than six months after the end of each such year: (A) certified copies of said 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
- (iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(b) For all expenditures for Part A of the Project with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with Section 4.01 of this Agreement, 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 (a) 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.

Section 4.03. The Borrower shall take such steps

satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies including the currency of the Guarantor) used in the operations of FIDE.

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, that:

(a) the Charter or the Operating Rules and Regulations shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out Parts A and B of the Project or to perform any of its obligations under this Agreement.

(b) Resolution No. 13 of April 7, 1965, of the Central Bank establishing FIDE shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under Parts A or B of the Project.

(c) Decree No. 507 of December 27, 1978, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NCFZ to perform any of its obligations under the NCFZ Technical Assistance Arrangement.

(d) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(e) Forty-five days shall have elapsed from the date the Bank notifies the Borrower of its disagreement to the number and cost of Investment Projects or to the on lending terms proposed by the Borrower during the review referred to in Section 3.05 of this Agreement and no subsequent agreement has been reached on such number and cost of Investment Projects and on lending terms.

(f) A Financial Intermediary shall have failed to perform any of its obligations under a Participation Agreement, provided, however, that, in such event, the suspension of the right of the Borrower to make withdrawals from the Loan Account may be restricted to the Loan proceeds committed for the Sub-loan granted under such Participation Agreement.

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

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

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower shall have approved credit regulations satisfactory to the Bank;

(b) the Borrower shall have entered into Participation Agreements with at least two Financial Intermediaries for purposes of Section 3.01 (b) of this Agreement; and

(c) all conditions precedent to the effectiveness of the Grant Agreement, other than the effectiveness of this Agreement, shall have been complied with, and (ii) in the event the Grant Agreement shall not provide for the financing of Part B of the Project, the Borrower shall have made arrangements, satisfactory to the Bank for the financing of such Part of the Project.

Section 6.02. The date March 8, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor 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:

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

For the Borrower:

Banco Central de la Republica Dominicana
Pedro Henriquez Urena
Santo Domingo
D.N. Dominican Republic

Cable address:

BACEN

Telex:

326-4186 (RCA) or
346-0052 (ITT)

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/ Ping-Cheung Loh
Regional Vice President
Latin American and the Caribbean

BANCO CENTRAL DE LA REPUBLICA DOMINICANA

By /s/ Bienvenido Hugo Perez Garcia
Authorized Representative

SCHEDULE 1

Description of the Project

The objectives of the Project are: (a) to assist the Borrower in meeting the financing needs of developers of private industrial free zones in the construction of buildings and supporting infrastructure thereof; (b) to assist the Guarantor in reducing unemployment and increasing the Guarantor's foreign exchange earnings; and (c) to assist the Guarantor in rationalizing its policy of industrial free zone development.

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

Part A:

The financing of specific projects, through Sub-loans to private industrial free zone developers, for the construction of factory shells and office park structures and for the development of new land including land preparation, roads, utilities and services such as water, electricity installations, sewerage, solid waste disposal and telecommunications.

Part B:

1. (a) Strengthening of FIDE's capabilities in financial planning and programming; (b) carrying out of promotional activities of FIDE financing based on a long-term development strategy; and (c) establishing mechanisms and performance criteria to enable FIDE to evaluate the performance of the Financial Intermediaries' portfolio.

2. Acquisition and utilization of computer equipment for FIDE.

3. Training FIDE's and selected Financial Intermediaries' staff in project preparation, evaluation and supervision.

Part C:

1. Technical assistance: (a) to assist the Guarantor in its efforts to promote linkages between free zone industries and domestic suppliers of goods and

services; (b) to develop mechanisms and procedures to simplify access for temporary admission of goods under the provisions of the Guarantor's Law 69 of November 8, 1979; (c) to carry out studies to develop a long range plan for the development of industrial free zones based on a realistic assessment of the absorptive capacity for such zones in the Guarantor's territory, including inter alia, a review of the performance of the private and public industrial free zones and the rental policies of such public zones and an assessment of the level of such rents so as to cover full economic cost of the investments; and to prepare guidelines for the review and approval of applications for new industrial free zones.

2. Overseas visits of managers and staff acceptable to the Bank to selected industrial free zones.

Part D:

Technical assistance to NCFZ to assist in computerizing the information related to the Guarantor's textile quota allocation and data monitoring system and to strengthen its evaluation, regulatory and approval responsibilities, including the acquisition and utilization of office and data processing equipment and vehicles therefor.

The Project is expected to be completed by December 31, 1993.

SCHEDULE 2

Amortization Schedule

Date payment Due	Payment of Principal (expressed in dollars)
October 15, 1994	555,000
April 15, 1995	575,000
October 15, 1995	595,000
April 15, 1996	620,000
October 15, 1996	640,000
April 15, 1997	665,000
October 15, 1997	690,000
April 15, 1998	720,000
October 15, 1998	745,000
April 15, 1999	775,000
October 15, 1999	805,000
April 15, 2000	835,000
October 15, 2000	865,000
April 15, 2001	900,000
October 15, 2001	930,000
April 15, 2002	970,000
October 15, 2002	1,005,000
April 15, 2003	1,045,000
October 15, 2003	1,080,000
April 15, 2004	1,125,000
October 15, 2004	1,165,000
April 15, 2005	1,210,000
October 15, 2005	1,255,000
April 15, 2006	1,305,000
October 15, 2006	1,355,000
April 15, 2007	1,405,000
October 15, 2007	1,460,000
April 15, 2008	1,515,000
October 15, 2008	1,570,000
April 15, 2009	1,620,000

Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 10 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 3

Modifications of the General Conditions

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

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

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in subparagraph 3 (c) of Schedule 4 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan; (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 4

Procedures for, and Terms and
Conditions of Sub-loans

1. Terms and conditions of Sub-loans

(a) Amount. Each Sub-loan shall: (i) include the amount of the corresponding FIDE Loan plus the amount provided by the Financial Intermediary; and (ii) specify the amount to be financed by the Investment Enterprise from its own resources.

(b) Currency. Sub-loans shall be disbursed and repaid in pesos and shall be adjusted following procedures, satisfactory to the Bank, that shall include inter alia:

(i) the principal amount of the Sub-loan shall be an amount equivalent to the amount of the Sub-loan converted to dollars at the official exchange rate prevailing at the time the Sub-loan is approved by FIDE, as published by the Borrower.

(ii) each disbursement under a Sub-loan shall be calculated in dollars and disbursed in pesos at the official exchange rate as published by the Borrower prevailing at the time each disbursement is made.

(iii) the amortization schedule of the Sub-loan shall be calculated in dollars and repayments shall be made in pesos at the official exchange rate prevailing at the time each repayment is made.

(c) Repayment Period. The repayment period will not exceed:

(a) fifteen years, including a grace period not to exceed five years, for the financing of land infrastructure development; and

(b) ten years, including a grace period not to exceed four years, for the financing of building construction.

(d) Interest Rate. The Investment Enterprise shall pay interest on the principal amount of the Sub-loan withdrawn and outstanding at a rate per annum equal to 1.05 times the rate stipulated in Section 2.05 of the Loan Agreement applicable at the time the Sub-loan is made plus a maximum of 4.75 percentage points.

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

(a) the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred and eighty days prior to the date on which the Bank shall have received the application and information required under paragraph 3 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred and eighty days prior to the date on which the

Bank shall have received the request and information required under paragraph 3 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be any Sub-loan for an Investment Project, which is received by the Bank after three other Sub-loans have been approved by the Bank, in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$700,000 equivalent when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan of this Agreement, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Investment Project.

3. (a) When presenting a Sub-loan (other than a free-limit Sub loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan and (A) the estimated financial and economic rate of return of each Investment Project in excess of \$500,000 equivalent and (B) the estimated financial rate of return of each Investment Project of \$500,000 or less equivalent; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; 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 shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization there for.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1993.

4. Sub-loans shall be made on terms whereby the Borrower through the Financial Intermediaries shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any Sub-loan, the right to:

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

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 5 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 Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

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

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

(g) require that:

(i) the Investment Enterprise shall maintain records and accounts to reflect, in accordance with consistently maintained sound accounting practices, its operations and financial condition, including separate records and accounts for the Investment Project:

(ii) the Investment Enterprise shall retain records evidencing all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure; and

(iii) the Investment Enterprise shall: (A) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; and (B) furnish to the respective Financial Intermediaries not later than six months after the end of each fiscal year, certified copies of their financial statements for such year as so audited and the report of such audit by said auditors, including separate opinions 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

SCHEDULE 5

Section I. Procurement of Goods and Works under Part A of the Project Sub-loans

Contracts for goods and works to be financed out of the proceeds of Sub-loans shall be procured at a reasonable price account being taken also of other relevant factors such as time of delivery and efficiency

and reliability of the goods and availability of maintenance facilities and spare parts therefor and in the case of works, of their quality and the competence of the parties rendering them.

Section II. Employment of Consultants

1. In order to assist the Borrower and the Guarantor in carrying out Parts B, C and D of the Project, respectively, the Borrower and the Guarantor, shall employ consultants whose qualifications, experience, terms and conditions of employment shall be satisfactory to the Bank.

2. The Borrower shall, not later than March 30, 1990, employ the consultant or consultants required for purposes of Part B of the Project.

