

CONFORMED COPY

LOAN NUMBER 3664 MOR

Project Agreement

(Fifth Water Supply Project - Kingdom)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

THE WATER AND ELECTRICITY DISTRIBUTION
AUTHORITY OF RABAT-SALE

Dated December 3, 1993

LOAN NUMBER 3664 MOR

PROJECT AGREEMENT

AGREEMENT, dated December 3, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and THE WATER AND ELECTRICITY DISTRIBUTION AUTHORITY OF RABAT-SALE (RED), (hereinafter referred to as the Participating Utility).

WHEREAS (A) by the Loan Agreement of even date herewith between Kingdom of Morocco (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred twenty-three million dollars (\$123,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Participating Utility agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and the Participating Utility, a portion of the proceeds of the loan provided for under the Loan Agreement will be relented to the Participating Utility on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS the Participating Utility, in consideration of the

Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The Participating Utility declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out its Part of the Project (Parts B.1 (c) and B.2 (c)) with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Participating Utility shall otherwise agree, the Participating Utility shall carry out its Part of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. The Participating Utility shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of its obligations under the Project Agreement and its Part of the Project.

Section 2.04. The Participating Utility shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, the Participating Utility shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving said Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) The Participating Utility shall, at the request of the Bank, exchange views with the Bank with regard to the progress of its Part of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) The Participating Utility shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Part of the Project, the accomplishment of the purposes of the Loan, or the performance by the Participating Utility of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of the Participating Utility

Section 3.01. The Participating Utility shall carry on its

operations and conduct its affairs in accordance with sound administrative, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The Participating Utility shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 3.03. The Participating Utility shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Participating Utility shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Participating Utility shall:

- (i) have its records, accounts (including those for the Special Account) 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;
- (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 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
- (iii) 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.

Section 4.02. (a) Except as the Bank shall otherwise agree, the Participating Utility shall produce on its water activities, for each Fiscal Year, funds from internal sources equivalent to not less than 25% of the annual average of the Participating Utility's capital expenditures incurred, or expected to be incurred, for that year, the previous Fiscal Year and the next following Fiscal Year.

(b) Before September 30 in each Fiscal Year, the Participating Utility shall, on the basis of forecasts prepared by it and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Participating Utility would not meet the requirements set forth in paragraph (a) for the Fiscal Year covered by such review, the Participating Utility shall promptly take all necessary measures (including, without limitation, recommendation for adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The term "funds from internal sources" means the difference between:

- (A) the sum of revenues from all sources related to operations and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and
 - (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.
- (ii) The term "net non-operating income" means the difference between:
- (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Fiscal Year.
- (iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next Fiscal Year.
- (v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, taxes and payments in lieu of taxes, and dividends.
- (vi) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.03. (a) Except as the Bank shall otherwise agree, the Participating Utility shall reach on its water activities a ratio of total working expenses to total operating revenues not higher than 79% starting with Fiscal Year 1996.

- (b) Before September 30 in each Fiscal Year, the

Participating Utility shall, on the basis of forecasts prepared by it and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such year and the next following Fiscal Year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Participating Utility would not meet the requirements set forth in paragraph (a) of this Section for the Fiscal Years covered by such review, the Participating Utility shall promptly take all necessary measures (including, without limitation, recommendation for adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The terms "total working expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding depreciation, interest and other charges on debt.
- (ii) The term "total operating revenues" means revenues from all sources related to operations.

Section 4.04. (a) Except as the Bank shall otherwise agree, the Participating Utility shall incur no debt for its water activities unless a reasonable forecast of the revenues and expenditures shows that the estimated net revenues of said Participating Utility for each Fiscal Year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of the Participating Utility in such year on all of its debt including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Participating Utility maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and

- (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Participating Utility not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and the Participating Utility accept as reasonable and as to which the Bank has notified the Participating Utility of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Participating Utility.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.05. (a) The Participating Utility shall for each Fiscal Year, commencing with the 1997 Fiscal Year, maintain its water supply receivables at a level which shall not exceed its average three months' billings.

(b) Before September 30 in each Fiscal Year, the Participating Utility shall, on the basis of forecasts prepared by it and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Participating Utility would not meet the requirements set forth in paragraph (a) for the Fiscal Year covered by such review, the Participating Utility shall promptly take all necessary measures in order to meet such requirements.

(d) For purposes of this Section the following terms have the following meanings:

- (i) "water supply receivables" means the aggregate amount of all water bills outstanding at the end of the Fiscal Year under review;
- (ii) "water bills" means the amounts periodically billed by the Participating Utility for the supply of water and the provision of related services by the Participating Utility; and
- (iii) "average three months' billing" shall be calculated by dividing the aggregate amount of all water bills issued by the Participating Utility during the Fiscal Year under review by four.

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of the Participating Utility thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the Participating Utility thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 Participating Utility:

RED:

6, Zankat Al Hoceima
Rabat
Kingdom of Morocco

Telex:

31830 M

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the Participating Utility may be taken or executed by its Director or such other person or persons as its Director shall designate in writing, and the Participating Utility shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

THE WATER AND ELECTRICITY DISTRIBUTION
AUTHORITY OF RABAT-SALE

By /s/ Mohamed Benaissa
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works 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).

(a) 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.

(b) In the procurement of goods and works in accordance with this Part A, the Participating Utility 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 Participating Utility shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable and to maximize competition, contracts for the supply and installation of pipes and other equipment shall be grouped into bid packages estimated to cost the equivalent of \$2,000,000.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Kingdom of Morocco 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

Local Competitive Bidding

1. Contracts for equipment and vehicles estimated to cost the equivalent of \$400,000 or less per contract, up to an aggregate

amount equivalent to \$1,600,000, and contracts for works estimated to cost the equivalent of \$2,000,000 or less per contract, up to an aggregate amount equivalent to \$10,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Local Shopping

2. Goods and repair services estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

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 to be awarded in accordance with the procedures set forth or referred to in Part A of this Section I, and with respect to each contract to be awarded in accordance with the procedures set forth or referred to in Part C. 1 of this Section I, 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 3 to this Agreement.

(c) The provisions of the preceding sub-paragraph (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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) 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 Participating Utility 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 Participating Utility shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval 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 or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 2

Implementation Program

1. Under Part B (2) of the Project, the Participating Utility shall:

(a) prepare and furnish to the Borrower and the Bank for their review a proposed performance contract for water activities, setting forth investment, financial and operational targets to be achieved by the Participating Utility during Fiscal Years 1994 through 1998, and undertakings by both the Participating Utility and the Borrower designed to enable the Participating Utility to achieve said targets;

(b) afford the Borrower and the Bank a reasonable opportunity to exchange views with the Participating Utility on said performance contract, and thereafter, promptly conclude with the Borrower such performance contract, including such investment, financial and operational targets as shall have been agreed among the Borrower, the Bank and the Participating Utility; and

(c) upon the conclusion of the performance contract referred to in paragraph (b) of this Section, at all times take all necessary action to achieve its Investment, Financial and Operational Targets.

2. The Participating Utility shall:

(a) maintain, or cause to be maintained, operational procedures adequate to enable it to monitor and evaluate, in accordance with the indicators set forth in the Performance Contract, the carrying out of the Project, including the achievement of its Investment, Financial and Operational Targets;

(b) prepare and furnish to the Borrower and the Bank not later than September 30 of each Fiscal Year, a report, of such scope and in such detail as the Bank shall reasonably request, on the conclusions and recommendations indicated by the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 2 in respect of the preceding Fiscal Year, together with any revisions proposed to be introduced into its Investment, Financial and Operational Targets, and a proposed updated Performance Contract including proposed Investment, Financial and Operational Targets for such period, and any other measures proposed to further the progress in the carrying out of the Project; and

(c) thereafter, promptly update such Performance Contract and introduce such revisions into its Investment, Financial and Operational Targets as shall have been agreed among the Borrower, the Bank and the Participating Utility, and undertake any additional measures to further the progress in the carrying out of the Project as shall have been agreed between the Bank and the Participating Utility.

SCHEDULE 3

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 the Kingdom Loan Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works 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 the Kingdom Loan Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 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 the Kingdom Loan Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for Part C of the Project, 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 Part C of the Project, shall equal the equivalent of twice the amount of Authorized Allocation.

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.

