

CONFORMED

LOAN NUMBER 3537 PNG

(Education Development Project)

between

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 1st, 1993

LOAN NUMBER 3537 PNG

LOAN AGREEMENT

AGREEMENT, dated July 1st, 1993, between THE INDEPENDENT STATE OF PAPUA NEW GUINEA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

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 below (the General Conditions) constitute an integral part of this Agreement:

(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."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CODE" means the College of Distance Education;

(b) "K" or "Kina" means the currency of the Borrower; and

(c) "Special Account" means the account referred to in Section 2.02 (b) of 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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirty five million dollars (\$35,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

(b) The Borrower shall, for the purposes of the Project, open and maintain in Kina a special deposit account in Bank of Papua New Guinea (its Central Bank) 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 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the

preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

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

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and out-standing 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 semi-annually on March 1 and September 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

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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, educational, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. 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 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the 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 nine 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 or payment out of the Special 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

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Department of Finance and Planning
Vulupindi Haus
Post Office Wards Strip
Waigani, N. C. D.
Papua New Guinea

Cable address:	Telex:
TREASURER Boroko	NE 22218

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT)

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.

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

By /s/ Margaret Taylor
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Burki
Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	11,500,000	65%
(2) Equipment, books, educational materials, and related transport services	19,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Fellowships	300,000	100%
(4) Consultants' services	1,400,000	100%
(5) Unallocated	2,300,000	
TOTAL	35,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the implementation of its education sector policies and investment plans through assistance for increasing access to education, improving the quality of education, and strengthening institutional management.

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: Increasing Access to Education

1. Construction of a national high school for day students at Gerehu, in the suburb of Port Moresby, with an enrollment capacity of about 500 students, acquisition of related equipment and furniture, and employment of staff.

2. Construction of additional facilities for grades 11 and 12 at the Hoskins and Malala provincial high schools for about 250 students each, acquisition of related equipment and furniture, and employment of additional staff.

3. Upgrading of physical facilities at national high schools, provincial high schools, vocational centers, and CODE centers.

4. Strengthening of the program of Certificate of Business Studies through writing, editing and printing of course material for stages 2 and 3 of said program, and acquisition of related office equipment.

Part B: Improving the Quality of Education

1. Resupply of existing textbooks and related educational materials for community schools and provincial high schools, and distribution, storage and security of textbooks and educational materials.

2. Development of new and revised textbooks and related educational materials for community schools and provincial high schools, and distribution, storage and security of textbooks and educational materials.

3. Strengthening of curriculum development, including provision of workshops, and writing, field testing and evaluation of curricular materials.

4. Carrying out of a pilot program relating to the retention and security of textbooks and educational materials in the classroom, including training in materials management, care and storage.

5. Strengthening of the advisory, evaluation and counselling services to schools through employment of additional inspectors and guidance officers, and provision of training including overseas training, transport, and construction of about 25 houses, for inspectors and guidance officers.

6. Development of libraries in community schools, provincial high schools, vocational centers, and CODE centers, through acquisition of books, and employment of additional staff at the National Library.

Part C: Strengthening Institutional Management

1. Strengthening the planning and management capacities of the education divisions of the Provincial Departments through: preparation of planning and management manuals; employment of regional advisors; provision of fellowships, construction of two houses, provision of transportation, and acquisition of office equipment, for the regional advisors; and provision of technical assistance.

2. Carrying out of policy studies on female participation in education, on cost effectiveness of education, and on teacher education.

Part D: Project Management and Evaluation

Provision of technical assistance and workshops for staff responsible for Project implementation and evaluation.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 1, 1998	645,000
March 1, 1999	670,000
September 1, 1999	695,000
March 1, 2000	720,000
September 1, 2000	750,000
March 1, 2001	775,000
September 1, 2001	805,000
March 1, 2002	840,000
September 1, 2002	870,000
March 1, 2003	905,000
September 1, 2003	935,000
March 1, 2004	970,000
September 1, 2004	1,010,000
March 1, 2005	1,050,000
September 1, 2005	1,090,000
March 1, 2006	1,130,000
September 1, 2006	1,170,000
March 1, 2007	1,215,000
September 1, 2007	1,265,000
March 1, 2008	1,310,000
September 1, 2008	1,360,000
March 1, 2009	1,410,000
September 1, 2009	1,465,000
March 1, 2010	1,520,000
September 1, 2010	1,580,000
March 1, 2011	1,640,000
September 1, 2011	1,700,000
March 1, 2012	1,765,000
September 1, 2012	1,835,000
March 1, 2013	1,905,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 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 4

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).

2. To the extent practicable, contracts for equipment shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Papua New Guinea 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

1. Civil works under Parts A.2, A.3, B.5 and C.1 of the Project may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Civil works under Part A.3 of the Project estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$8,500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three contractors eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Civil works under Part A.3 of the Project estimated to cost less than \$40,000 equivalent per contract, up to an aggregate amount equivalent to \$4,000,000, may be procured through direct contracting, in accordance with procedures acceptable to the Bank, or may be carried out by force account.

4. Civil works in remote areas under Part B.5 of the Project, up to an aggregate amount equivalent to \$1,000,000, may be carried out by force account.

5. Equipment estimated to cost less than the equivalent of \$100,000 per contract, and services for transportation of goods under the Project, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

6. Equipment estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$100,000, 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.

7. Contracts for printing of textbooks and educational materials under Part B.1 of the Project, and contracts for library books and computer software may be awarded after direct negotiations with suppliers, 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 for civil works and goods estimated to cost the equivalent of \$100,000 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 6 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 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts C.1 and D of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

1. In carrying out Part B.3 of the Project, the Borrower shall, not later than March 31, 1993, employ a curriculum development coordinator, under terms of reference acceptable to the Bank.

2. In carrying out Part B.5 of the Project, the Borrower shall:

(a) not later than September 30, 1993, establish five additional positions of inspectors and two additional positions of guidance officers; and not later than January 31, 1994, appoint qualified staff to such positions;

(b) not later than September 30, 1994, establish three additional positions of inspectors and one additional position of guidance officer; and not later than January 31, 1995, appoint qualified staff to such positions; and

(c) not later than September 30, 1995, establish three additional positions of inspectors and two additional positions of guidance officers; and not later than January 31, 1996, appoint qualified staff to such positions.

3. In carrying out Part B.6 of the Project, the Borrower shall:
(a) not later than April 30, 1993, establish one library advisor position and appoint a qualified staff to such position; and (b) not later than April 30, 1994, establish one library advisor position and one support librarian position, and appoint qualified staff to such positions.

4. In carrying out Part C.1 of the Project, the Borrower shall:

(a) not later than June 30, 1993, employ, in accordance with Section II of Schedule 4 to this Agreement, a special advisor in education planning and management;

(b) not later than September 30, 1993, establish a position of regional planning and management advisor and, not later than January 31, 1994, appoint a qualified staff to such position;

(c) not later than September 30, 1994, establish a position for a second regional advisor and, not later than January 31, 1995, appoint a qualified staff to such position; and

(d) not later than September 30, 1995, establish a position for a third regional advisor and, not later than January 31, 1996, appoint a qualified staff to such position.

5. In carrying out Part C.2 of the Project, the Borrower shall:

(a) by August 31, 1993, carry out, under terms of reference satisfactory to the Bank, the study on female participation in education and promptly thereafter furnish the recommendations of the studies to the Bank for comments;

(b) by December 31, 1993, prepare an action plan on improvement of female participation in education taking into account the comments of the Bank on the recommendations of the study; and

(c) by March 31, 1994, commence the implementation of the action plan.

6. In carrying out Part C.2 of the Project, the Borrower shall:

(a) by September 30, 1993, carry out, under terms of reference satisfactory to the Bank, the study on improvement of cost effectiveness of education and promptly thereafter furnish the recommendations of the study to the Bank for comments;

(b) by February 28, 1994, prepare an action plan on improvement of cost effectiveness in education, taking into account the comments of the Bank on the recommendations of the study; and

(c) by May 31, 1994, commence the implementation of the action plan.

7. In carrying out Part C.2 of the Project, the Borrower shall:

(a) by October 31, 1993, carry out, under terms of reference satisfactory to the Bank, the study on teacher education and promptly thereafter furnish the recommendations of the study to the Bank for comments;

(b) by March 31, 1994, prepare an action plan on improvement of cost effectiveness in education, taking into account the comments of the Bank on the recommendations of the study; and

(c) by June 30, 1994, commence the implementation of the action plan.

8. In carrying out Part D of the Project, the Borrower shall:

(a) maintain until completion of the Project, a Project Implementation Unit in the National Department of Education, with

qualified staff in adequate numbers, including the following staff to be appointed not later than March 31, 1993: (i) a project coordinator; (ii) a procurement manager; and (iii) a maintenance manager; and

(b) not later than March 31, 1994, appoint an accountant to the Project Implementation Unit in the National Department of Education.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,400,000 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 into 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.

