

CONFORMED COPY

LOAN NUMBER 4563-MOR

Loan Agreement

(Legal and Judicial Development Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 30, 2001

LOAN NUMBER 4563-MOR

LOAN AGREEMENT

AGREEMENT, dated April 30, 2001, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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) "CGEM" means the Moroccan Business Association (Confédération Générale des Entreprises Marocaines);

(b) "Commercial Courts" means the commercial courts of appeals of Casablanca, Fes and Marrakech, and the commercial tribunals of Rabat, Casablanca, Fes, Tangiers, Agadir and Marrakech;

(c) "Commercial Registries" means the commercial registries (registres de commerce) housed in the Commercial Courts;

(d) "Euro" and "EUR" mean the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on the European Union;

(e) "Fiscal Year" and "FY" mean the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(f) "GPBM" means the Moroccan Bankers Association (Groupement Professionnel des Banques Marocaines);

(g) "INEJ" means the national institute for judicial studies (Institut National d'Etudes Judiciaires);

(h) "MOF" means the Ministry of Economy, Finance, Privatization and Tourism of the Borrower, or any successor thereto;

(i) "MOJ" means the Ministry of Justice of the Borrower, or any successor thereto;

(j) "PMU" means the Project Management Unit within the Ministry of Justice, in charge of Project management and implementation, to be established pursuant to Section 5.01 of this Agreement;

(k) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

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

(m) "Steering Committee" means the committee established by the Borrower pursuant to a decision of the Minister of Justice, chaired by the Minister of Justice and comprising the permanent secretary of MOJ, the director of INEJ as hereinafter defined, representatives of: (i) the judiciary, including one judge from the Supreme Court, one judge from the commercial courts of appeals and one judge from the commercial tribunals, (ii) the Government's legal advisor's office (Secretariat Général du Gouvernement), (iii) the MOF, as hereinafter defined, (iv) the Moroccan Bar Association, (v) the Deans of the faculties of law, (vi) the GPBM, as hereinafter defined, (vii) the Casablanca Stock Exchange, (viii) the CGEM, as hereinafter defined, and (ix) the Moroccan federation of judicial experts, the clerks officiating in the commercial tribunals and the "commissaires judiciaires".

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 equal to five million six hundred thousand Euro (EUR5,600,000).

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 works, goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its general treasury (trésorerie générale du Royaume) 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 June 30, 2004 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in euros for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.08. 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, and, to this end, shall carry out the Project, through MOJ, with due diligence and efficiency and in conformity with appropriate administrative, management, technical, financial, legal and judicial reform 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.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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) the financial statements referred to in paragraph (a) of this Section as audited for such year and certified by such auditors, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 separate 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

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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:

Facsimile:

INTBAFRAD

Washington, D.C.

248423 (MCI) or

64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Euro Equivalent)	% of Expenditures to be Financed
(1) Civil works	80,000	80%
(2) Goods	3,350,000	100% of foreign expenditures; 100% of local expenditures (ex- factory cost); and 80% of other items procured locally
(3) Consultants' services	1,520,000	100%
(4) Fee	56,000	Amount due under Section 2.04 of this Agreement

(5)	Unallocated	594,000
	TOTAL	5,600,000

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, except that withdrawals, in an aggregate amount not exceeding EUR260,000, may be made in respect of Categories 1, 2, and 3 set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 1, 2000.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure under contracts not exceeding \$30,000 equivalent for works and \$300,000 equivalent for goods, \$100,000 equivalent for consulting firms and \$50,000 equivalent for individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to develop the justice system as a factor of economic development through: (a) improving the operations and performance of the Commercial Courts and Commercial Registries, (b) updating the training program for judges, and (c) institutional strengthening of the Ministry of Justice.

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: Improving the legislative and regulatory framework for commercial transactions and the resolution of commercial disputes

1. Streamlining processes and procedures for Commercial Courts and Commercial Registries, through the provision of technical assistance in drafting the relevant amendments to existing laws and regulations.

2. Strengthening alternate commercial dispute resolution mechanisms, through the provision of technical assistance in the preparation of a modern commercial arbitration code.

Part B: Strengthening the judicial system's management capacity

1. Introduction in all Commercial Courts of modern case management techniques and tools, through the acquisition of systems and computers.

2. Carrying out a training program for court staff in the use of automated tools for case management.

Part C: Improving Commercial Registries' management capacity

1. Improving registration procedures and records management in Commercial Registries through the introduction of modern management techniques and tools and the acquisition of systems and computers.

2. Carrying out a training program for Commercial Registries' staff in the use of the automated tools.

Part D: Strengthening INEJ's training and management capacities

1. Improving the training of INEJ trainers, including the up-grading of teaching

methods.

2. Upgrading and enlarging the INEJ curriculum and introducing up-to-date and more relevant course materials, as well as developing access to modern information and research tools for INEJ teachers and students.

3. Introducing modern management systems for the reorganization and modernization of INEJ.

4. Rehabilitation of INEJ's library.

Part E: Expanding the capacity of the Ministry of Justice's communication capacities

Collection, management and dissemination of legal, judicial and regulatory information and promotion of a wide ranging communication policy, including a public awareness program, through technical assistance and acquisition of communication management tools.

Part F: Project Implementation:

Provision of technical assistance and equipment for the strengthening of the PMU so as to ensure its capacity for Project implementation and management.

* * *

The Project is expected to be completed by December 31, 2003

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Euro)*
January 15, 2006	135,000
July 15, 2006	140,000
January 15, 2007	145,000
July 15, 2007	145,000
January 15, 2008	150,000
July 15, 2008	150,000
January 15, 2009	155,000
July 15, 2009	160,000
January 15, 2010	160,000
July 15, 2010	165,000
January 15, 2011	170,000
July 15, 2011	170,000
January 15, 2012	175,000
July 15, 2012	180,000
January 15, 2013	180,000
July 15, 2013	185,000
January 15, 2014	190,000
July 15, 2014	195,000
January 15, 2015	195,000
July 15, 2015	200,000
January 15, 2016	205,000
July 15, 2016	210,000
January 15, 2017	215,000
July 15, 2017	220,000
January 15, 2018	225,000
July 15, 2018	230,000
January 15, 2019	230,000
July 15, 2019	235,000
January 15, 2020	240,000
July 15, 2020	245,000

* The figures in this column represent the amount in Euro to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent per contract may, and, except as otherwise provided below, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been agreed with the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to the first contract for works referred to in Part C 1 above and with respect to the first two contracts for goods and works to be procured in accordance with the procedures referred to in Part C.1 above and costing \$30,000 equivalent or more; and all other contracts for goods estimated to cost \$300,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts to be procured in accordance with the procedures referred to in Part C.2 above and estimated to cost up to \$30,000 equivalent, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for technical assistance and training for the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Single Source Selection

Services for short term technical assistance under the Project which are estimated to cost less than \$50,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultants Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been agreed with the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

A. Project Implementation and Coordination

1. Responsibility for overall Project implementation and progress monitoring shall

be vested with the PMU. The Borrower, through MOJ, shall, at all times, maintain PMU: (a) under terms of reference satisfactory to the Bank, and (b) with qualified staff including, namely, a Project Manager, a Deputy Project Manager, and specialists in training, communication and information technology, judicial system reform, procurement/disbursement and financial management, and (c) with functions and authorities as to enable it to carry out the aforementioned responsibility.

2. Responsibility for Project orientation and supervision shall be vested with the Steering Committee. The Borrower shall establish the Steering Committee not later than sixty (60) days after the effectiveness of this Agreement and shall maintain the Steering Committee throughout the duration of the Project.

3. The Borrower shall take all necessary measures for the adoption by its Council of Government, no later than December 31, 2001, of the amendments referred to in Part A (i) of Annex 2 to this agreement.

4. The Borrower, through MOJ, shall, not later than December 31, 2001, enter into arrangements with the Moroccan Bar Association, with a view to ensure the provision of free legal services in all Commercial Courts for those who could otherwise not afford the services of the judicial system.

5. The Borrower, through MOJ, shall, not later than December 31, 2001, take all measures required to ensure the budgetary autonomy of INEJ.

B. Progress Reports and Surveys

1. The Borrower, through PMU, shall, starting six months after Project effectiveness and not later than June 30 and December 31 of each year until completion of the Project, prepare and furnish to the Bank for its review and comments, a report, of such scope and in such detail as agreed between the Borrower and the Bank, describing the progress achieved in the implementation of the Project and including the budget and work plan for the following year.

2. The Borrower shall, not later than June 30, 2001, complete a baseline survey of users and potential users of Commercial Courts, Commercial Registries and commercial arbitration, under terms of reference satisfactory to the Bank, and shall, not later than September 1, 2001, communicate to the Bank the results of the above mentioned survey.

3. Based on the results of the survey referred to in paragraph 2 above, the Borrower shall, complete a second survey of users and potential users of the Commercial Courts, Commercial Registries and commercial arbitration, under terms of reference satisfactory to the Bank, and shall, not later than December 31, 2002, communicate to the Bank the results of such survey.

4. Based on the results of the survey referred to in paragraph 3 above, the Borrower shall complete a final survey of users and potential users of the Commercial Courts, Commercial Registries and commercial arbitration, under terms of reference satisfactory to the Bank, and shall, not later than December 31, 2003, communicate to the Bank the results of such survey.

C. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about December 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by March 1, 2003, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and

recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, and 3 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 \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of EUR1,300,000.

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 deposit into the Special Account of an amount or amounts 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit

reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.

