

CONFORMEF COPY

CREDIT NUMBER 3024 EGT

Development Credit Agreement

(Pollution Abatement Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 1998

CREDIT NUMBER 3024 EGT

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 12, 1998, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) by agreement dated November 13, 1996 (the GOF Grant Agreement) the Government of Finland (GOF) has agreed to make a grant (the GOF Grant) to the borrower in an amount equivalent to five million six hundred thousand (\$5,600,000) to assist in financing Part A of the Project on the terms and conditions set forth in the GOF Grant Agreement;

(C) Part B of the Project will be carried out by the National Investment Bank (NIB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NIB the proceeds of the Credit as provided in this Agreement;

(D) by agreement (the Loan Agreement) of even date herewith between the International Bank for Reconstruction and Development (the Bank) and NIB, the Bank has agreed to make a loan (the Loan) to NIB, with the guarantee of the Borrower, in an amount equal to twenty million dollars (\$20,000,000) to assist in financing Part B of the Project on the terms and conditions set forth in the Loan Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this

Agreement and in the Project Agreement of even date herewith between the Association and NIB;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, 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 of Article III is deleted.

(b) The second sentence of Section 5.01 of Article V is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled."

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

(b) "Subsidiary Financing Agreement" and "Subsidiary Finance" mean, respectively: (i) the agreement to be entered into between the Borrower and NIB pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time; and (ii) the proceeds of the Credit made available pursuant to the Subsidiary Financing Agreement.

(c) "Subsidiary Apex Agreement" and "Apex Finance" mean respectively, (i) the

agreement to be entered into between NIB pursuant to Paragraph 1 of schedule 1 to the Project Agreement, as the same may be amended from time to time; and (ii) the proceeds of the Credit made available pursuant to the subsidiary Apex Agreement.

(d) "Project Agreement" means the agreement between the Association and NIB of even date herewith, as the same may be amended from time to time.

(e) "Statutes" means Presidential Decree No. 119 of 1980, pertaining to the establishment and operations of NIB, as amended by the date of this Agreement.

(f) "Statement of Policy" means the statement of lending and investment policy of NIB, adopted by the Board of Directors of NIB on January 10, 1981, as amended to the date of this Agreement.

(g) "Sub-loan" means a loan made or proposed to be made by the Apex Bank, or by a Participating Bank, to a Beneficiary for a Sub-project in part out of the equivalent of the proceeds of the Credit.

(h) "Sub-grant" means a grant made or proposed to be made by the Apex Bank to a Beneficiary for a Sub-project out of the equivalent of the proceeds of the Credit.

(i) "Sub-project" means a specific project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan or a Sub-grant.

(j) "Beneficiary" means any public or private industrial enterprise to which the Apex Bank or a participating Bank proposes to make or has made a Sub-loan or a Sub-grant.

(k) "Apex Bank" means a banking institution, approved by the Bank, with which NIB has entered into a Subsidiary Participating Agreement.

(l) "Participating Bank" means any banking institution, approved by the Bank, with which the Apex Bank has entered into a Subsidiary Participating Agreement.

(m) "Subsidiary Participating Agreement" and "Participating Finance" mean, respectively: (i) any agreement entered into between the Apex Bank and a Participating Bank pursuant to paragraph 1 (b) (i) of the Annex to Schedule 1 to the Project Agreement; and (ii) the proceeds of the Subsidiary Finance made available to a Participating Bank pursuant to a Subsidiary Participating Agreement.

(n) "EEAA" means the Egyptian Environmental Affairs Agency of the Borrower, or any successor thereto.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ten million nine hundred thousand Special Drawing Rights (SDR10,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made by Beneficiaries to meet the reasonable cost of goods and services required for Sub-projects in respect of which the withdrawal from the Credit Account is requested.

(b) For the purposes of the Project, the Borrower may, through NIB, open and maintain in dollars a special deposit account in the Apex Bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2003, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 2008 and ending July 15, 2032. Each installment to and including the installment payable on July 15, 2017, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. NIB is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Section 2.10. The Borrower represents that it has designated its Ministry of Finance for the purpose of handling, on behalf of the Borrower, debt service payments with respect to the Credit.

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:

(i) shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part; and

(ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause NIB to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NIB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall: (i) coordinate the overall implementation of the Project, and (ii) carry out Part A of the Project, in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

(c) The Borrower shall make available the proceeds of the Credit to NIB under a subsidiary financing agreement to be entered into between the Borrower and NIB, under terms and conditions which shall have been approved by the Association and which shall include those set forth in paragraph 2 of Schedule 3 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Financing Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Financing Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to the Project Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitations thereto, the Borrower shall:

(a) prepare or cause to be prepared, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan for the future operation of the Project; and

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 Part B of the Project shall be carried out by NIB pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, the Borrower shall:

- (i) cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) cause the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) cause to be furnished to the Association as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and
- (iii) cause to be furnished to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) NIB shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that NIB will be able to perform its obligations under the Project Agreement.
- (c) The Statutes or the Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NIB to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NIB or for the suspension of its operations.
- (e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower and NIB;

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the provisions of paragraph (f) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of Article XII of the General Conditions:

(a) the Subsidiary Financing Agreement has been executed on behalf of the Borrower and NIB;

(b) the Subsidiary Apex Agreement has been executed on behalf of NIB and the Apex Bank; and

(c) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than the effectiveness of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by NIB, and is legally binding upon NIB, in accordance with its terms;

(b) that the Subsidiary Financing Agreement has been duly authorized or ratified by the Borrower and NIB, and is legally binding upon the Borrower and NIB, in accordance with its terms; and

(c) that the Subsidiary Apex Agreement has been duly authorized or ratified by NIB and the Apex Bank, and is legally binding upon NIB and the Apex Bank, in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General

Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of State for International Cooperation or the Head of the Sector for International and Regional Financing Organizations of the Ministry of International Cooperation of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
(International and Regional Financing
Organizations Sector)
8 Adly Street
Cairo, Egypt

Cable address:

Fax:

Ministry of International
Cooperation, Cairo

391-5167

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Cairo, Arab Republic of Egypt, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Zafer El-Bishry

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Khalid Ikram

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	5,820,000	23% of amounts paid by the Apex Bank and Participating Banks
(2) Sub-grants	5,080,000	100% of amounts paid by the Apex Bank
TOTAL	10,900,000 =====	

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

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify by notice to the Borrower, for payments made on account of Sub-loans and Sub-grants.

SCHEDULE 2

Description of the Project

The objective of the Project is to reduce industrial pollution through: (a) strengthening of institutional capabilities in environmental monitoring and enforcement; and (b) financing of pollution abatement investments.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

Part A:

A program, including the provision therefor of technical assistance, studies, training, monitoring equipment and field vehicles, to:

1. strengthen the technical and administrative capacities of EEAA's three Regional Branches and four Environmental Management Units in the Borrower's Governorates of Cairo, Alexandria, Qalyoubia and Suez to facilitate the preparation, monitoring and enforcement of pollution abatement plans for the said Governorates and for industrial enterprises operating therein;

2. develop pollution abatement action plans for major industrial polluters;

3. (a) carry out in-plant environmental audits of industrial enterprises to prepare environmental investments for financing under Part B of the Project, and

(b) train relevant personnel of: (i) the public and private sector in environmental auditing and financing, (ii) banking institutions in the development and application of appropriate guidelines for the evaluation of environmental investments, and (iii) plant managers in the protection of workers' health and safety; and

4. carry out promotion awareness and media education programs in pollution prevention and control, including support for the participation of local communities in the preparation, monitoring and follow-up on the Governorates and enterprise pollution abatement plans through technical and administrative support and training to non-governmental organizations, local press, professional associations and interest groups involved in industrial pollution abatement activities.

Part B:

The financing, through the provision of: (1) Sub-loans by the Apex Bank and Participating Banks, and (2) Sub-grants by the Apex Bank, of specific cost-effective pollution abatement investments by Beneficiaries to bring effluent discharges and air emissions of existing facilities toward compliance with the applicable laws and regulations of the Borrower.

* * *

The Project is expected to be completed by March 31, 2003.

SCHEDULE 3

Implementation Program; Terms and Conditions of the Subsidiary Financing Agreement

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

1. The Borrower shall: (a) cause to be maintained arrangements, satisfactory to the Association, for the carrying out of Part A of the Project, for assisting NIB, the Apex Bank and the Participating Banks in the carrying out of their activities under Part B of the Project, and for the overall coordination and supervision of Project implementation, including through the maintenance, with staff and other resources and terms of reference agreed with the Association, of (i) a Steering Committee comprising of representatives of EEAA, the Borrower's Ministries of Environmental Affairs, Finance, Planning, International Cooperation, Public Works and Water Resources, and Public Enterprise Sector, and non-governmental organizations, NIB, the Apex Bank and Participating Banks, the Federation of Egyptian Industries, and the Egyptian Business Association, to be responsible for the oversight of Project implementation and the provision of policy guidance thereunder and for reviewing and recommending for financing under Part B of the Project all Sub-projects proposed to be financed through the provision of Sub-loans and Sub-grants of more than the equivalent of \$2,000,000 in the aggregate each, and (ii) a Project Implementation Unit within EEAA, headed by a full time Project Manager, to be primarily responsible for the management of the carrying out of Part A of the Project, for reviewing and recommending for financing under Part B of the Project all Sub-projects proposed to be financed through the provision of Sub-loans and Sub-grants not exceeding the equivalent of \$2,000,000 in the aggregate each, for the technical evaluation of Sub-projects, for entering into a Sub-project technical implementation agreement with each Beneficiary, in the format agreed with the Association, to monitor and ensure that the Sub-project is carried out in accordance with appropriate technical, environmental, health and safety practices, and for ensuring that the procurement of goods and works financed under Sub-loans and Sub-grants is undertaken in accordance with the provisions of Schedule 3 to this Agreement; and (b) employ consultants, with qualifications and terms of reference satisfactory to the Association, to assist in the carrying out of the tasks referred to herein.

2. For the purposes of carrying out Part B of the Project, the Borrower shall make available the proceeds of the Credit to NIB, under the Subsidiary Financing Agreement, on the following terms:

(a) the principal amount of the Subsidiary Finance shall be the equivalent in dollars (determined as of the respective dates of withdrawal from the Credit Account) of the value of the currency or currencies so withdrawn or paid out on account of withdrawals under Sub-loans and Sub-grants; and

(b) the Subsidiary Finance shall be (A) charged interest on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate not exceeding 0.875% per annum, (B) charged a commitment fee on the principal amount thereof not withdrawn from time to time at the same rate applicable to the Credit pursuant to Section 2.04 (a) of this Agreement, and (C) repaid over a term not exceeding thirty-five (35) years, including a grace period not exceeding ten (10) years.

3. The Borrower shall: (a) cause to be prepared and furnished to the Association, by July 31 of each year, a list of, and the implementation schedule for, the pollution abatement action plans to be developed during the following year under Sub-part 2 of Part A of the Project; and (b) thereafter, develop and carry out the same, taking into consideration the Association's views on the matter.

4. The Borrower shall: (a) cause to be maintained procedures adequate to enable it to monitor and assess, on an ongoing basis, in accordance with indicators agreed with the Association, the carrying out of the Project and the achievement of the objectives thereof; (b) cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association: (i) by November 30 of each two (2) year period, a report, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, on the progress achieved in the carrying out of the Project during the period of 24 months preceding the date of such report, and (ii) on or about October 30, 2000, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to subparagraph (b) (i) above, on the progress achieved in carrying out the Project during the period preceding the date thereof and on the progress achieved in establishing an economic incentive framework for environmental protection, and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Association, NIB, the Apex Bank and EEAA each such report and, thereafter, cause to be taken all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of amounts paid on account of Sub-loans and Sub-grants, to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$1,500,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$750,000, in the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$4,500,000.

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 Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis payments in respect of which

of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit Account 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

including the General Conditions.

