

LOAN NUMBER 2732 EGT

Loan Agreement

(Channel Maintenance Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 10, 1988

LOAN NUMBER 2732 EGT

LOAN AGREEMENT

AGREEMENT, dated March 10, 1988, between ARAB
REPUBLIC OF EGYPT (the Borrower) and 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, has requested the Bank
to finance part of the foreign exchange cost of the
Project;

(B) the Project will be carried out by the Ministry
of Public Works and Water Resources of the Borrower,
through the Implementing Agencies referred to in Section
1.02 of this Agreement;

(C) the technical assistance and part of the
equipment required under the Project will be financed
under bilateral arrangements between the Borrower and the
United States Agency for International Development; 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 last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Ministry" means the Ministry of Public Works and Water Resources of the Borrower;

(b) "Irrigation Sector" means the undersecretariats within the Ministry, responsible for the irrigation sector;

(c) "EPADP" means the Egyptian Public Authority for Drainage Projects, operating under the general supervision of the Ministry;

(d) "IPA" means the Irrigation Public Authority, operating under the general supervision of the Ministry;

(e) "PEC" means any of the Public Excavation Companies, operating under the general supervision of the Ministry;

(f) "Board" means the Channel Maintenance Board referred to in Part A of Schedule 5 to this Agreement;

(g) "WRI" means the Weed Research Institute of the Ministry;

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

(i) "WRC" means the Water Research Center of the Ministry; and

(j) "Implementing Agencies" means all entities involved in the execution of the Project, namely, the Ministry (and its Irrigation Sector, WRC and WRI), EPADP, IPA and PECs.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to forty five million dollars (\$45,000,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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 may, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank to be selected by the Central Bank of the Borrower 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, 1994 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 per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

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

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

(c) For the interest period commencing February 1, 1988 the interest rate shall be 7.72% per annum.

(d) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semiannually on February 1 and August 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 through the Implementing Agencies with due diligence and efficiency and in conformity with appropriate financial, engineering and administrative practices, and shall provide, as and when needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall (i) make appropriate financial arrangements, agreeable to the Borrower and the Bank, to ensure the availability, in a timely manner, of all funds required for the

implementation of the Project under the annual work programs referred to in Schedule 5 to this Agreement, and (ii) ensure, through suitable budgetary provisions, the allocation to the Implementing Agencies of funds required for the appropriate maintenance of irrigation and drainage channels and facilities.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan and experts' services required for the Project shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, acting through the Ministry, shall maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures related to the Project.

(b) The Borrower, acting through the Ministry, shall:

- (i) have the accounts and records referred to in paragraph (a) of this Section and 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 six 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 accounts and the audit thereof and said records 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, acting through the Ministry, shall:

- (i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to

examine such records; and

- (iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Loan withdrawn in respect of such expenditures were used for the purposes for which they were provided.

Section 4.02. The Borrower shall cause the Implementing Agencies to maintain their plants, machinery, equipment and other property, and to make, as and when needed, all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Board and its technical committee have been duly established pursuant to Part A of Schedule 5 to this Agreement;

(b) formal action required for the assignment of the key staff referred to in Part B.2 (b)) of Schedule 5 to this Agreement has been taken; and

(c) regulations and a program of action, satisfactory to the Borrower and the Bank, have been adopted by the Ministry in accordance with Part B.4 (c) of Schedule 5 of this Agreement, to ensure the safe transport, storage, handling and application of herbicides, including those to be procured under the Project.

Section 5.02. The date 120 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 International Cooperation or the First Undersecretary for International Finance 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:

Ministry of International Cooperation
(International Finance Sector)
8 Adly Street
Cairo, Egypt

Cable address: Telex:

Ministry of 927-23348
International Cooperation
Cairo

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 440098 (ITT),
Washington, D.C. 248423 (RCA)
or 64145 (WUI)

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.

ARAB REPUBLIC OF EGYPT

By /s/ E. Shafey
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Thalwitz
Regional Vice President
Europe, 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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods:		100% of foreign expenditures,
(a) equipment and spare parts	27,500,000	100% of local expenditures (ex-factory cost) and 50% of other
(b) herbicides	15,500,000	local expendi- tures for pre- viously imported goods

(2)	Unallocated	2,000,000
	TOTAL	45,000,000

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 I 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: (a) to increase agricultural productivity through more efficient functioning of canals and drains; (b) to introduce appropriate, cost-efficient methods for the maintenance of such canals and drains; and (c) to strengthen the institutions concerned with Project implementation.

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: Drainage and Irrigation Equipment, Materials and Works

1. Provision of (i) heavy equipment, under a phased program for the replacement of existing equipment, including mowers, excavators, self-propelled chemical sprayers, support machinery and vehicles and related spare parts, and (ii) spare parts required for the rehabilitation of existing equipment.
2. Provision of workshop equipment and tools and of data processing and testing equipment.
3. Provision of equipment for Project operation and administration.
4. Provision of herbicides for weed control
5. Construction of buildings for the storage of herbicides and spare parts, expansion of repair facilities of one of the Egyptian dredging companies and for other related purposes.

Part B: Institutional Development

A program for institutional development, including recruitment and training of staff, and expert-assisted programs for improving the efficiency of the Implementing Agencies in methods of channel maintenance and weed control, use of herbicides, equipment operation and maintenance, monitoring and evaluation and in related planning and managerial procedures and techniques.

* * * * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due (dollars)*	Payment of Principal (expressed in dollars)
On each February 1 and August 1	
beginning February 1, 1992	
through August 1, 2006	1,500,000

* 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

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

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

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be

procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and 11 of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, goods shall be grouped in bid packages ensuring the widest possible competition.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Egypt 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. Spare parts, estimated to cost in the aggregate the equivalent of not more than \$6,500,000, may be procured under contracts awarded: (a) on the basis of evaluation of price quotations obtained from the manufacturers of such equipment; or (b) when there is only one such manufacturer, on the basis of direct negotiations with such manufacturer.

2. Items of goods under Part A of the Project, estimated to cost the equivalent of not more than \$100,000 per contract and \$1,500,000 in the aggregate, may be procured on the basis of the Borrower's procedures for competitive bidding, provided, however, that: (i) representatives of foreign bidders shall be allowed to bid, (ii) all bidders shall be treated equally in terms of eligibility for any preference or the requirement of furnishing bid or performance bonds, and (iii) bids received after the date stipulated for the submission of bids shall not be considered.

3. Items of equipment for Project operation and administration under Part B of the Project, estimated to cost the equivalent of not more than \$50,000 per contract and \$500,000 in the aggregate may be procured on the basis of the evaluation price quotations obtained from not less than three suppliers of such items.

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 estimated to cost the equivalent of \$500,000 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 I 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix I to the Guidelines.

Section II. Employment of Experts

In order to assist the Borrower in the carrying out of part B of the Project, the Borrower shall contract the services of experts whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

SCHEDULE 5

Implementation Program

A. Project Management and Coordination

Channel Maintenance Board (the Board)

The Board shall be established by the Ministry to ensure effective coordination, implementation and monitoring of the Project. It shall be chaired by a suitably qualified, high ranking official designated by the Minister of Public Works and Water Resources, with membership consisting of the First Undersecretaries for the Irrigation Sector and for Planning and Follow-up of the Ministry, and the Chairmen of EPADP, IPA and WRC. The Board shall be generally responsible for: (a) ensuring the coordination in implementation schedules and in performance among the Implementing Agencies; (b) reviewing and approving consolidated annual work programs, and for furnishing the same to the Bank for its review and comments by June 30 of each year; and (c) monitoring the status of Project execution.

The Board shall be assisted by a technical committee to be headed by the First Undersecretary for the Irrigation Sector of the Ministry, with appropriate membership from representatives of the Implementing Agencies.

B. Project Implementation

1. Annual Work Program (AWP):

An annual work program shall be prepared by each Implementing Agency, by April 30 in each year, which will include: (a) a brief description of all activities to be undertaken in the following fiscal year, including the portion to be implemented in the year concerned of the integrated channel maintenance program, to be carried out over the years 1988 through 1993; (b) an estimate of the funding requirements for such activities, together with a financing plan to secure the funds required in local and foreign currencies; and (c) a review of progress achieved, in light of targeted objectives, in Project execution during the preceding year.

The annual work program (consisting of the consolidated programs prepared for the Implementing Agencies) shall be reviewed by the Board and shall be furnished to the Bank, by June 30 in each year, for its

comments.

2. Staffing:

(a) The Ministry shall ensure, until the completion of the Project, that all key positions in the Irrigation Directorates shall be filled with adequately qualified personnel; such positions to include the General Directors, Inspectors, District Engineers, Chief Engineers for Maintenance and Maintenance Assistants.

(b) The Borrower shall strengthen: (i) the office of the Undersecretariat of the Ministry responsible for maintenance through the assignment to it of a director general, a senior engineer for planning and follow-up, a manpower specialist and his assistant, two accountants and the required support staff; (ii) the Irrigation Directorates and the Irrigation Districts of the Irrigation Sector through the assignment to each of a chief engineer for maintenance and a maintenance assistant, respectively; (iii) the weed control unit of WRI through the assignment to it of one senior botanist, two weed research scientists, two laboratory technicians and five botanically trained weed scientists and technicians; and (iv) the monitoring and evaluation unit, to be established within WRI for purposes of Part B of the Project, through the assignment to it of two analytical chemists, two computer system analysts, five data coders, one senior monitoring engineer and five field monitoring assistants. The key staff to be assigned for purposes of Section 5.01 (b) of this Agreement shall consist of the director general and the senior engineer referred to in (i) above, one weed research scientist, referred to in (iii) above, and two analytical chemists and one computer system analyst referred to in (iv) above. The remaining of the staff referred to in this paragraph will be assigned during the 1987 fiscal year.

(c) The Borrower shall: (i) ensure that EPADP will review with the Bank, not later than six months before the start of each of its fiscal years and until the completion of the Project, the staffing requirements of the Project during the following fiscal year, including the required additional number of civil and agricultural engineers; and (ii) enable and cause EPADP to fulfill such requirements, through the provision of the necessary resources and facilities, including financial incentives for therecruitment and retention of staff.

(d) The Borrower shall ensure: (i) that the annual work programs, referred to in Part B.1 of this Schedule shall include the training and technical assistance and training requirements for the Implementing Agencies under Part B of the Project; and (ii) that a planning and monitoring unit shall be established, by December 31, 1988, in each PEC involved in the carrying out of the Project.

3. Procurement:

Bid packages under the Project will be prepared by the Implementing Agencies and be coordinated and approved by the Board. Procurement procedures shall be undertaken through the office of the First Undersecretary for the Irrigation Sector with the assistance, as required, of EPADP and the PECS.

4. Channel Maintenance Works:

The following guidelines shall be followed for the maintenance of channels:

(a) the Irrigation Directorates of the Ministry shall: (i) monitor, in collaboration with the concerned agricultural cooperatives, the maintenance of mesqas servicing not less than 200 feddans, and, where necessary carry out required maintenance at the cost of beneficiaries; and (ii) ensure the maintenance of smaller mesqas by farmers and, should they fail to do so properly, to undertake such maintenance at their cost.

(b) The Ministry shall ensure that: (i) channels of up to 2m bed-width will be maintained without the use of herbicides under contracts to be awarded on the basis of competitive bidding procedures which shall ensure the widest possible participation by contractors; (ii) channels of larger bed-width will be maintained by PECs in accordance with agreed maintenance cycles; (iii) only trained and certified crews using proper equipment will be in charge of the application of Herbicides; (iv) activities under contracts shall be structured so as to ensure the most efficient use of equipment for the whole maintenance cycle in a given area; and (v) contractors awarded maintenance contracts will have access to required equipment on equal terms.

(c) The Ministry shall put into effect regulations to ensure the safe transport, storage, handling and applications of herbicides, including Acrolein. In addition to following the general safety directives of the Ministry and the manufacturers' recommendations, such regulations will require, in particular, that (i) Acrolein be handled in heavy-walled steel containers and that stores and equipment be kept in safe condition; (ii) responsibility for the storage and use of herbicides be placed with PECs whose personnel will continue to be trained by equipment suppliers' technicians and specialists of WRI; (iii) supervision be increased and improved through the trained personnel of the Ministry and EPADP; (iv) a testing and monitoring program be established, with the assistance of a qualified chemist by December 31, 1988; and (v) the monitoring of Acrolein at critical locations in channels and the carrying out of a mid-term review of the effectiveness of the safety measures in force.

C. Project Supervision

1. The Ministry shall prepare, with the assistance of the Irrigation Sector, WRI and appropriate experts, a monitoring and evaluation program for the Project, to be furnished to the Bank, for its comments, by December 31, 1988. Such programs shall include: (i) the standard procedures to be followed by the Implementing Agencies; (ii) the forms for data collection; and (iii) the computerized procedures for data processing and analysis.

2. The Ministry with the assistance of experts, to the extent required, and of the Implementing Agencies, shall be responsible for collecting and reviewing information regarding the physical and financial aspects of the Project.

3. Findings and analysis of the monitoring and evaluation program shall be included in quarterly progress reports for the Project, prepared by the Irrigation Sector and reviewed by the Board. Each such report shall be furnished to the Bank within 90 days from the end of the period covered by it.

4. The Borrower and the Bank shall undertake, at the end of the year 1990, a mid-term review of the Project, with a view to agreeing on any changes in Project components and the funding requirements thereof.

D. Cost Recovery

During the period of Project implementation, the Borrower and the Bank will from time to time exchange views and reach an understanding on the specific targets and measures for recovery of the maintenance costs of irrigation and drainage channels. Such measures will be discussed in the context of an action plan formulated by the Borrower, by June 1989, in accordance with the Borrower's regulations in force and which will aim at achieving such cost recovery in the time frame of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means any of the Categories 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 I to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this

Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) the Bank shall have determined that all further withdrawals should be made directly by the Borrower from the Loan Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 have been or 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank for crediting to the Loan Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

