

CONFORMED COPY

LOAN NUMBER 3574 JO

Loan Agreement

(Health Management Project)

between

HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 23, 1993

LOAN NUMBER 3574 JO

LOAN AGREEMENT

AGREEMENT, dated March 23, 1993, between HASHEMITE KINGDOM OF JORDAN (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 assist in the financing of the Project;

(B) the Borrower intends to contract from bilateral and multilateral aid and development organizations (Cofinanciers) loans and grants in an aggregate principal amount equivalent to about \$2,400,000 to assist in financing the Project on the terms and conditions set forth in agreements to be entered into between the Borrower and each of the Cofinanciers; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and

Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "MOH" means the Ministry of Health of the Borrower; and

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

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty million dollars (\$20,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in U.S. dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

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

(c) For the purposes of this Section:

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

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

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

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

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 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 MOH with due diligence and efficiency and in conformity with appropriate medical, financial, engineering and public health administration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Bank shall otherwise agree,

procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than 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 records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions,

namely, that the Project Implementation Unit with organization, staffing and terms of reference satisfactory to the Bank shall have been established.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Minister of Planning  
P.O. Box 555  
Amman  
Hashemite Kingdom of Jordan

Cable address:

THE MINISTRY OF PLANNING  
Amman

Telex:

2131920

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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.

HASHEMITE KINGDOM OF JORDAN

By /s/ Fayez Al-Tarawneh  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ C. Koch-Weser  
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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works under Parts B(1) and B(3) of the Project (including engineering services)	9,700,000	75%
(2) Goods under Parts A, B, C, D and E	7,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Overseas Fellowships and Technical Assistance	1,300,000	100% of foreign expenditures
(4) Unallocated	1,900,000	
TOTAL	20,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$500,000, may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after September 30, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the health of its population, strengthening the operation and management of MOH and upgrading primary care, hospital and family planning services.

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: Services Upgrading

Assisting the MOH to upgrade the quality and cost-efficiency of primary and hospital health care service delivery through:

(1) upgrading the primary health care system by:  
(i) strengthening the provision of family planning, mother and child health and preventative care services; (ii) gathering basic epidemiological information on a systematic basis; and  
(iii) providing in-service training in family practice and maternal and child health for approximately 540 general practitioners and approximately 400 nurses and midwives in primary health care centers.

(2) introduction of a decentralized hospital management system by: (i) development of a pilot demonstration management support system at Salt hospital; (ii) provision of overseas fellowships in the fields of hospital administration, financial planning and budgeting, management information systems, accounting, personnel management, cost analysis and cost efficient procedures; and (iii) replication of management support systems at other hospitals.

(3) improving rates of utilization of primary health care centers and reducing pressure on hospital outpatient departments by: (i) training of personnel; (ii) introduction of a revised fee structure for health facilities; and (iii) development of information, education and communication programs.

Part B: Facilities Improvement

Assisting the MOH to improve the availability and quality of hospital services through:

(1) reconstruction of the Princess Basma Hospital facilities by: (i) construction of new structures on the existing hospital site; and (ii) conversion and refurbishing of the existing facilities.

(2) development of a comprehensive master-plan for upgrading the Al-Bashir Hospital in Amman, taking into account population and activity projections, land availability, and technology assessment.

(3) upgrading and improvement of emergency services by:  
(i) upgrading of emergency room facilities and equipment at approximately five hospitals; (ii) improved screening of emergency cases; (iii) development of a master-plan for the emergency room at Ajlun hospital; and (iv) provision of specialized training for emergency room personnel.

(4) improvement of maintenance for hospital facilities and medical equipment by: (i) construction and/or refurbishing and equipping of approximately 12 hospital maintenance workshops; (ii) construction and equipping of two regional maintenance centers for smaller hospitals and primary health care facilities and regional coordination of maintenance activities; (iii) development of decentralized maintenance divisions in Regional Health Authorities to set up a national maintenance management system; and (iv) provision of specialized training and overseas fellowships for engineers and technicians.

Part C: Organization and Management

Assisting the MOH in effective policymaking, management and planning through:

(1) reorganization of the MOH to improve management and planning at the center and to delegate greater operational authority to the regional level by: (i) retaining responsibility at the central level for policy planning, administration and personnel management, services and supplies management, quality control and

assurance and technical and professional affairs; (ii) establishment and equipping of three Regional Health Authorities to administer and control primary care and hospital services organization; and (iii) provision of overseas fellowships in the fields of public administration, financial planning and budgeting, cost accounting, cost recovery, management information, personnel records, staff evaluation, record keeping and accounting and to examine available models and approaches to administrative management in the health sector.

(2) carrying out of a staffing study to evaluate options for: (i) reallocating under-utilized personnel; (ii) retraining staff to improve productivity; (iii) reducing hiring for clerical and intermediate positions; and (iv) reducing redundancies through attrition and non-renewal of employment contracts.

Part D: Financing and Cost Recovery

Assisting the MOH to contain the escalation of health care costs in the public sector, to maintain the access of the poor to the health care system, and to improve the organization and management of the health insurance fund, through:

(1) carrying out of a cost recovery study to: (i) improve revenues from fees; (ii) establish an appropriate gradient of fees between primary and secondary care; and (iii) ensure protection of access by the poor to health services.

(2) improve administration of MOH's health insurance fund by: (i) provision of computers and software for MOH's Directorate of Health Insurance; and (ii) provision of overseas fellowships in health financing and health insurance.

Part E: Long-Term Planning

Assisting the Borrower to design a long-term health strategy through:

(1) carrying out an epidemiological and economic analysis of major disease trends and issues, evaluating the cost-effectiveness of alternative intervention strategies for future prevention and treatment.

(2) carrying out a feasibility study for a national health insurance system to cover the entire population of the Borrower.

(3) provision of overseas fellowships in epidemiology and health insurance administration.

\* \* \*

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1998	375,000
May 1, 1999	390,000
November 1, 1999	400,000
May 1, 2000	415,000
November 1, 2000	435,000
May 1, 2001	450,000
November 1, 2001	465,000
May 1, 2002	485,000
November 1, 2002	500,000
May 1, 2003	520,000
November 1, 2003	540,000
May 1, 2004	560,000



November 1, 2004	580,000
May 1, 2005	600,000
November 1, 2005	625,000
May 1, 2006	645,000
November 1, 2006	670,000
May 1, 2007	695,000
November 1, 2007	720,000
May 1, 2008	750,000
November 1, 2008	775,000
May 1, 2009	805,000
November 1, 2009	835,000
May 1, 2010	865,000
November 1, 2010	895,000
May 1, 2011	930,000
November 1, 2011	965,000
May 1, 2012	1,000,000
November 1, 2012	1,040,000
May 1, 2013	1,070,000

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

#### Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

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

procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

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 Jordan 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. Items or groups of items for goods manufactured by a limited number of suppliers up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded through limited international bidding procedures in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Items for works for the rehabilitation of Princess Basma or under contracts estimated each to cost the equivalent of \$400,000 or less per contract, up to an aggregate amount equivalent to \$2,600,000 and items or groups of items for goods estimated to cost the equivalent of \$200,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Items or groups of items for goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Items or groups of items of goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for works estimated to cost the equivalent of \$400,000 or more, and for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account

in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

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

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

## SCHEDULE 5

### Implementation Program

1. The Borrower shall finalize in agreement with the Bank, by September 30, 1993, the terms of reference and the qualifications of consultants for the staffing study to be carried out under Part C (2) of the Project, and shall carry out such study and discuss with the Bank its results and the Borrower's recommendations for follow-up actions by January 31, 1995. In light of such recommendations and exchange of views, the Borrower shall carry out a program for the implementation thereof in accordance with a schedule agreed to between the Borrower and the Bank.

2. The Borrower shall finalize in agreement with the Bank, by August 31, 1993, the terms of reference and the qualifications of consultants for the cost recovery study to be carried out under Part D (1) of the Project, and shall carry out such study and discuss with the Bank its results and the Borrower's recommendations for follow-up actions by January 31, 1995. Thereafter, on the basis of such recommendations and exchange of views, the Borrower shall carry out a program to improve cost recovery in the health sector in accordance with a schedule agreed to between the Borrower and the Bank.

3. The Borrower shall finalize in agreement with the Bank, by October 31, 1994, the terms of reference and the qualifications of consultants for the epidemiological and economic analysis of major disease trends and issues to be carried out under Part E (1) of the Project, and shall discuss with the Bank the preliminary results of

such study and the Borrower's recommendations for follow-up actions by October 31, 1996.

4. The Borrower shall finalize in agreement with the Bank, by January 31, 1994, the terms of reference and the qualifications of consultants for the feasibility study for a national health insurance system to be carried out under Part E (2) of the Project, and shall carry out such study and discuss with the Bank its results and the Borrower's recommendations for follow-up actions by May 31, 1997.

5. The Borrower shall finalize in agreement with the Bank, by December 31, 1996, the terms of reference for a mid-project evaluation, and shall discuss recommendations for an action plan with the Bank by March 1, 1997. The Borrower shall implement the action plan according to a schedule agreed upon with the Bank.

6. The Borrower shall (a) formulate and carry out measures agreed upon with the Bank for the reorganization of MOH, referred to in Part C (1) of the Project, and (b) ensure the completion of such reorganization by March 31, 1995.

7. The Borrower shall furnish to the Bank, by August 31, 1993, or such other date as the Bank may agree, evidence demonstrating that commitments have been obtained from the Cofinanciers in the appropriate amount stated in Recital B of the Preamble to this Agreement and, should such commitments fall short of securing such amount, that the shortfall shall be covered by other resources allocated for the Project.

#### 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 \$1,200,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

Account.

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

