
LOAN NUMBER 7117-LE

Loan Agreement

(Ba'albeck Water and Wastewater Project)

between

LEBANESE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *September 26*, 2002

WAT/A02/1

LOAN NUMBER 7117-LE

LOAN AGREEMENT

AGREEMENT, dated *September 26*, 2002 between LEBANESE REPUBLIC (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 (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Council for Development and Reconstruction (CDR) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to CDR on a grant basis, as set forth in this Agreement; 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 and in the agreement of even date herewith between the Bank and CDR (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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

(a) "BHWT" means Ba'albeck Hermel Water and Irrigation Authority, a public authority established and operating pursuant to Decree No. 4419, dated December 10, 1987, as the same maybe amended from time to time;

(b) "CDR" means the Borrower's Council for Development and Reconstruction, a public authority established and operating pursuant to the Legislative

Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001, as the same may be amended from time to time;

(c) "CWA" means the Chamsine Water Authority, a public authority established and operating pursuant to Decree No. 110, dated June 22, 1989, as the same maybe amended from time to time;

(d) "Eligible Categories" means categories (1), (2), (3), (4) and (5); set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(f) "Environmental Assessment" means the environmental assessment, in form and substance satisfactory to the Bank, prepared by the Borrower, dated January 15, 2002, including, *inter alia*: (i) the identification and assessment of potential environmental impact of activities to be carried out under the Project; (ii) an evaluation of alternative measures; and (iii) the Environmental Management Plan (as this term is hereinafter defined) detailing the appropriate mitigation, monitoring, institutional and management measures required for the implementation of the Project with a view to ensuring compliance of the activities referred to in sub-paragraph (i) herein with said measures and to eliminating adverse environmental impacts, offsetting such impacts, or reducing them to acceptable levels;

(g) "Environmental Management Plan" or "EMP" mean the plan, in form and substance satisfactory to the Bank, prepared by the Borrower, dated January 15, 2002 and incorporated in the Environmental Assessment;

(h) "Expropriation Decree" means the Decree to be issued by the Borrower, pursuant to paragraph 3 (b)(i) of Schedule 1 to this Agreement, such Decree to set out a detailed list of plots to be expropriated, including plot numbers, names of plot owners and other right holders, plot areas and location to be expropriated;

(i) "Financial Monitoring Report" and "FMR" mean each report prepared in accordance with Section 4.02 of the Project Agreement;

(j) "Land Acquisition Plan" means the Borrower's plan, satisfactory to the Bank, submitted to the Bank in February 2002, which sets out the expropriation process under the Borrower's laws and regulations and compensatory measures in connection with the carrying out of the Project, including the instrument for monitoring decisions of the expropriation commissions to be established under the Expropriation Decree;

(k) "Project Agreement" means the agreement between the Bank and CDR of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(l) "PIP" means the Project Implementation Plan, in form and substance satisfactory to the Bank, prepared by the Borrower, dated May 15, 2002, which sets out the principles and procedures governing the implementation of the Project, such plan to, *inter alia*: (i) define the respective roles and responsibilities of the agencies involved in the implementation of the Project; (ii) set forth the timetable of actions required to be carried out under the Project; (iii) identify the procedures to be used for monitoring and evaluating progress towards the achievement of the objectives of the Project; (iv) detail the financial management procedures for the Project, including, *inter alia*, the auditing, accounting and financial reporting arrangements for the Project; and (v) set out the details of the Environmental Management Plan;

(m) "Service Contract" means each service contract, in form and substance satisfactory to the Bank, to be entered into between CDR and a private sector entity for the purpose of operating and maintaining the water supply and distribution facilities and wastewater collection systems referred to under Part D of the Project;

(n) "Special Account" means the account referred to in Schedule 4 to this Agreement;

(o) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and CDR pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

(p) "TSU" means the Technical Support Unit to be established within BHWIA, CWA and ZWA under Part A of the Project with competent staff in adequate numbers whose terms of reference and qualifications shall be satisfactory to the Bank; and

(q) "ZWA" means the Zahle Water Authority, a public authority established and operating pursuant to Decree No. 18023, dated December 9, 1957, as the same maybe amended from time to time.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to CDR.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to forty three million five hundred thirty thousand United States dollars (US\$43,530,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan, and in respect of interest and other charges in respect of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower shall, for the purposes of the Project, open and maintain in 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 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 front-end fee in an amount equal to one per cent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on

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such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. CDR 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause CDR to perform, in accordance with the provisions of the Project Agreement, all the obligations of CDR therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CDR to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan available to CDR on a grant basis under a Subsidiary Agreement to be entered into between the Borrower and CDR, under terms and conditions which shall have been approved by the Bank.

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

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 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods, works and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by CDR pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall: (i) ensure that any land or right of way required for construction or civil works under the Project is acquired pursuant to the laws and regulations of the Borrower; (ii) ensure that the carrying out of the Project shall not involve the involuntary resettlement of local population; and (iii) supervise the implementation of the Environmental Management Plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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 sound accounting practices, records and separate 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have 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 Bank;
- (ii) furnish to the Bank 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 Bank 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) 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.

ARTICLE V

Remedies of the Bank

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

(a) CDR 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 the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that CDR will be able to perform its obligations under the Project Agreement.

(c) Legislative Decree No. 5, dated January 31, 1977 and Law No. 295 dated April 3, 2001 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CDR 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 CDR or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (k) 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 Bank to the Borrower.

(b) The events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 Subsidiary Agreement has been executed on behalf of the Borrower and CDR.

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

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

(b) that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and CDR and is legally binding upon the Borrower and CDR 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

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Minister of Finance 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 Finance
Beirut, Lebanese Republic

Facsimile:

961 1 642 762

For the Bank:

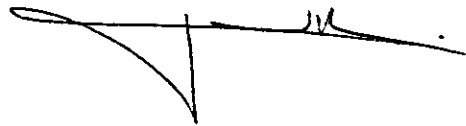
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

United States of America

LEBANESE REPUBLIC

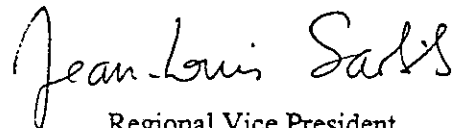


By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

General

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		85%
(i) under Part B of the Project	11,160,000	
(ii) under Part C of the Project	14,175,000	
(2) Goods, including equipment and vehicles	418,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Service Contracts Fees under Part D of the Project	7,067,000	95% of local expen- ditures for services of consultants domiciled within the territory of the Borrower and 92.5% of foreign expenditures for services of other consultants

<u>Category</u>	Amount of the Loan Allocated (Expressed in US Dollars)	% of Expenditures to be Financed
(4) Consultants' services and training	6,990,000	95% of local expenditures for services of consultants domiciled within the territory of the Borrower and 92.5% of foreign expenditures for services of other consultants
(5) Incremental Operating Costs	278,000	90%
(6) Front-end Fee	435,300	Amount due under Section 2.04 of this Agreement
(7) Premia for interest rate caps and interest rate collars	0	Amount due under Section 2.09 (c) of the Loan Agreement
(8) Unallocated	3,006,700	
TOTAL	<u>43,530,000</u>	

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;

(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; and

(c) the term "incremental operating costs" means expenditures under the Project incurred by the TSU in relation to maintenance of vehicles and equipment, fuel, utility charges, office supplies, communications, local transport costs, but excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of : (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding US\$4,353,000 may be made on account of payments made for expenditures before that date but after March 1, 2002; and (b) under Category (1) (ii) unless the Borrower shall have: (i) submitted to the Bank the Expropriation Decree in form and substance satisfactory to the Bank; and (ii) submitted to the Bank evidence, satisfactory to the Bank, that land expropriation has been carried out in accordance with the Land Acquisition Plan.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) works for contracts costing less than US\$1,000,000 equivalent each; (b) goods under contracts costing less than US\$200,000 equivalent each; (c) services of consulting firms under contracts costing less than US\$100,000 equivalent each; (d) services of individual consultants under contracts costing less than US\$50,000 equivalent each; (e) training; (f) workshops; and (g) incremental operating costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) develop and strengthen the institutional capacity of BHWIA, ZWA and CWA; (ii) improve the access of customers of BHWIA to satisfactory water supply and wastewater services; (iii) involve the private sector in the operation and maintenance of the water and wastewater facilities; and (iv) rationalize the use of water through the introduction of water meters.

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: Institutional Development

Establishment of a technical support unit (TSU) within BHWIA, CWA and ZWA, with a view to strengthening existing water authorities in the Beka'a region and preparing their consolidation under one regional authority, including the integration of wastewater under their scope of authority, including: (i) strengthening the capacity of BHWIA, ZWA and CWA; (ii) the development of administrative, technical and financial management systems of BHWIA; and (iii) the designing of a training program to improve the respective capacity of BHWIA, ZWA and CWA in developing and implementing public-private partnerships in the water and wastewater sectors; all through the provision of technical assistance, training, equipment and vehicles.

Part B: Enhancement of Service Coverage for Water Supply

Construction of water supply distribution mains of about 117km and 16,000 house connections in the Ba'albeck urban area and surrounding villages.

Part C: Enhancement of Service Coverage for Wastewater Collection and Treatment

Carrying out a program of works and provision of equipment for the construction of a wastewater collection and treatment system for the city of Ba'albeck and four (4) surrounding villages (namely, Douris, Ain Borda, Iaat and Tel Abiad), including: (i) the construction of a sewerage network of about 160km; (ii) the extension of the effluent discharge pipe; and (iii) the upgrading of the wastewater treatment plant, including physical improvements to said plant, the establishment of a storage area for the sludge effluent and of tertiary treatment filters.

Part D: Operation and Maintenance

Improving operation and maintenance capacity and services of the water supply and distribution facilities and of the wastewater collection systems in the Ba'albeck and Nabi Chit areas through the entering by CDR into Service Contracts covering, respectively: (i) the water and sewerage networks and the water supply facilities; and (ii) the wastewater treatment plant, including the wastewater quality monitoring program.

Part E: Project Management

Provision of support to CDR including: (i) the preparation and design of tender documents for the Project; (ii) the supervision of construction works and implementation of Services Contracts; (iii) the updating of the masterplan and the preparation of development programs for water supply and wastewater services in the Beka'a Region; (iv) the implementation of the Environmental Management Plan; and (v) the hiring of a CDR project coordinator, all through the provision of technical assistance, training, carrying out of studies and organization of workshops.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
November 15, 2002	0.00
May 15, 2003	0.00
November 15, 2003	0.00
May 15, 2004	0.00
November 15, -2004	0.00
May 15, 2005	0.00
November 15, 2005	0.00
May 15, 2006	0.00
November 15, 2006	0.00
May 15, 2007	0.00
November 15, 2007	0.00
May 15, 2008	0.00
November 15, 2008	0.00
May 15, 2009	0.00
November 15, 2009	8.33
May 15, 2010	8.33
November 15, 2010	8.33
May 15, 2011	8.33
November 15, 2011	8.33
May 15, 2012	8.33
November 15, 2012	8.33
May 15, 2013	8.33
November 15, 2013	8.33
May 15, 2014	8.33
November 15, 2014	8.33
May 15, 2015	8.37
TOTAL	100%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1), (2), (3), (4), and (5) 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 US\$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$1,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of US\$5,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

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

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

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

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

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

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