

CONFORMED COPY

LOAN NUMBER 3626 PH

(Power Transmission and Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL POWER CORPORATION

Dated August 13, 1993

LOAN NUMBER 3626 PH

LOAN AGREEMENT

AGREEMENT, dated August 13, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL POWER CORPORATION (the Borrower).

WHEREAS: (A) The Republic of the Philippines (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

WHEREAS: (B) By an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan, and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS: (C) 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) "Charter" means the Borrower's constituent instrument (Charter No. RA 6395), dated September 10, 1971, as amended to the date of this Agreement, published in the Guarantor's Official Journal, dated February 7, 1972, establishing the Borrower as a state-owned power generation company duly authorized and operating under the Guarantor's laws and regulations;

(b) "DENR" means the Guarantor's Department of Environment and Natural Resources;

(c) "Energy Sector Plan" means the Guarantor's plan for reforming its power sector and promoting energy sufficiency, both at the national and local levels, to be implemented by the Guarantor and its electricity power generation and transmission utilities and related power entities, as such plan was approved by the Office of the President of the Republic of the Philippines on November 17, 1992;

(d) "EOIS" means the Efficiency and Operational Improvement Study, referred to in Section 3.03 of this Agreement and Sub-section 3.02(c)(i) of the Guarantee Agreement, to be carried out pursuant to the provisions of the Japanese Grant Agreement, dated July 9, 1992, between the Bank, acting as administrator of grant funds provided by Japan, and the Borrower, for the purposes of improving the Borrower's overall operational and administrative efficiency and its managerial and financial systems, all in accordance with the provisions of said sections;

(e) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's financial years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means collectively each of said Fiscal Year;

(f) "Power Development Program" means the Borrower's five (5)-year investment program and related financing plan for the efficient expansion and development of its power generation and transmission systems;

(g) "ERB" means the Energy Regulatory Board established to review and approve applications for any increase in the electricity tariffs in the Philippines; and

(h) "MERALCO" means Manila Electric Company.

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, various currencies that shall have an aggregate value equivalent to the amount of one hundred and ten million dollars (\$110,000,000), 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. 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.

Section 2.03. The Closing Date shall be December 30, 1996, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 and the Guarantor 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 and the Guarantor 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 semiannually on March 15 and September 15 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. 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 with due diligence and efficiency and in conformity with appropriate economic, energy, engineering, financial, administrative, environmental and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Not later than October 1 of each Fiscal Year, beginning the Fiscal Year ending December 31, 1993, the Borrower shall exchange views and review with the Bank and the Guarantor the progress achieved by the Borrower in implementing the Power Development Program during the preceding Fiscal Year.

(b) Based upon said review, the Bank, the Borrower and the Guarantor shall determine the actions necessary for improving the Power Development Program, and the Borrower's implementation thereof, in respect of the following Fiscal Year.

(c) The Borrower shall promptly thereafter, taking into account the Bank's views and recommendations, carry out the recommendations of said review with due diligence and efficiency, and shall take all necessary measures to achieve the objectives thereof.

Section 3.03. The Borrower shall, not later than December 31, 1993, review with the Bank and the Guarantor the findings and recommendations of the EOIS and, promptly thereafter, implement the recommendations which shall have been agreed upon between the Bank, the Borrower and the Guarantor, all with due diligence and efficiency.

Section 3.04. The Borrower shall promptly take all action necessary to ensure that: (a) not later than December 31, 1993, it has obtained from DENR all environmental clearances and related authorizations required for the rehabilitation of its Bataan thermal power plant, to be carried out under Part B of the Project; (b) any adverse environmental impact of the Project, or any part thereof, is effectively mitigated in a timely manner which is acceptable to the Bank; and (c) adequate measures, acceptable to the Bank, are promptly adopted and carried out for the resettlement and rehabilitation of all persons involuntarily displaced as a result of the Project, or any part thereof.

Section 3.05. Without limitation or restriction upon the provisions of Section 9.01 of the General Conditions, beginning on December 31, 1993, the Borrower shall furnish to the Bank:

(a) monthly project procurement progress reports and quarterly project implementation progress reports, of such scope and detail as the Bank shall reasonably request, on such progress achieved by the Borrower during the immediately preceding month and quarter; and
(b) semi-annual projections, based on a methodology and calculations acceptable to the Bank, of its power demand, capital expenditures and financial statements.

Section 3.06. (a) 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.

(b) The Borrower shall, not later than December 31, 1993, recruit qualified consultants, in accordance with the provisions of Section II of Schedule 4 to this Agreement, to prepare an action plan, based on terms of reference satisfactory to the Bank, to establish the appropriate methods and specifications for the optimal, and environmentally sound, rehabilitation of its Bataan thermal power plant to be carried out under Part B of the Project, and to assist in the implementation of said action plan.

(c) The Borrower shall, not later than December 31, 1993, establish rules and procedures, satisfactory to the Bank, to facilitate private sector participation in its energy generation projects, including its build-operate-transfer and build-transfer-operate projects, which procedures shall include, inter alia, the standardization of bidding documents.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound economic, energy, engineering, financial, administrative, environmental and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound economic, energy, engineering, financial, administrative, environmental and public utility practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall at all times promptly take all action necessary to: (a) maintain its corporate existence and right to carry on its operations; and (b) acquire, maintain, renew and otherwise exercise any and all rights (including, but without limitation, land rights), powers, privileges and franchises which are necessary or useful in the conduct of its operations and in carrying out of its obligations under this Agreement.

Section 4.05. Except in the ordinary course of its business, the Borrower shall not, without the Bank's prior consent, sell, lease, transfer or otherwise dispose of any of its property or assets which are required for the efficient conduct of its operations, or the carrying out of the Project.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain separate records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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, (A) certified copies of its financial statements for such year as so audited, and (B) 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, accounts and financial statements as well as 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, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual 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.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall earn, for each of its Fiscal Years after its Fiscal Year ending on December 31, 1992, an annual return of not less than eight percent (8%) of the average current net value of the Borrower's fixed assets in operation.

(b) Before December 1 in each of its Fiscal Years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year, and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's

Fiscal Years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

- (d) For the purposes of this Section:
 - (i) The annual return shall be calculated by dividing the Borrower's net operating income for the Fiscal Year in question by one half (1/2) of the sum of the current net value of the Borrower's fixed assets in operation at the beginning and at the end of that Fiscal Year.
 - (ii) The term "net operating income" means total operating revenues less total operating expenses.
 - (iii) The term "total operating revenues" means revenues from all sources related to operations.
 - (iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation in a manner consistent with generally accepted accounting principles.
 - (v) The average current gross value of the Borrower's fixed assets in operation shall be calculated as one half (1/2) of the sum of the gross value of the Borrower's fixed assets in operation at the beginning and at the end of the Fiscal Year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.
 - (vi) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 5.03. (a) The Borrower shall; (i) not later than December 31, 1993, based on a methodology and calculations acceptable to the Bank, complete and incorporate into its accounting and auditing system a current valuation of all its fixed assets in operation; and (ii) each Fiscal Year thereafter duly revalue such fixed assets in operation in a timely manner, and based on a methodology and procedures acceptable to the Bank.

(b) For the purposes of this Section, the term "fixed assets in operation" means all tangible assets, including, but without limitation, land, buildings, plant and equipment, held for the production of goods or services, or for administrative purposes.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each Fiscal Year during the term of the debt to be incurred shall be at least one and one-third (1.3) times the estimated debt service requirements of the Borrower in such year on all of its debt, including the debt to be incurred.

- (b) For the purposes of this Section:
 - (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one (1)

year after the date on which it is originally incurred.

- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement (including, without limitation, this Agreement), or other instrument providing for such debt, or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in sub-section (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing market rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.05. Not later than December 26, 1993, the Borrower shall implement energy demand charges, based on a methodology and procedures acceptable to the Bank, for the purposes of improving the structure of its energy tariffs so as to better reflect the economic cost of its provision of power supply.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The Charter shall have been amended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or the Guarantor to perform any of their respective obligations under this Agreement or the Guarantee Agreement.

(b) The Guarantor or any other authority having jurisdiction shall have taken any action for the disestablishment or dissolution of the Borrower, or for the suspension of any of its operations.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified: (a) that the event specified in paragraph (a) of Section 6.01 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; and (b) that the event specified in paragraph (b) of said Section 6.01 shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the approval (which may be an interim authorization to implement) by ERB of an automatic tariff indexing mechanism acceptable to the Bank to change the tariffs charged by the Borrower by reference to changes in the Borrower's fuel cost and purchased energy;
- (b) the presentation by the Borrower to ERB of a satisfactory application for the restructuring of the Borrower's tariffs to include energy demand charges to MERALCO, based on a methodology and procedures acceptable to the Bank (as part of the restructuring required under Section 5.05 of this Agreement for the purposes of improving the structure of the Borrower's energy tariff charged to MERALCO and the Borrower's other customers so as to better reflect the economic cost of the Borrower's provision of power supply).

Section 7.02. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. The President of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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)

For the Borrower:

The President
National Power Corporation
Quezon Avenue
East Triangle, Diliman
Quezon City, Philippines

Cable address:

NAPOCOR
Manila

Telex:

742-40120
(PM)

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji
Regional Vice President
East Asia and Pacific

NATIONAL POWER CORPORATION

By /s/ Francisco Viray
Authorized Representative

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) Equipment, materials and related installation under Part A of the Project | 70,000,000) | 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and |
| (2) Rehabilitation | 31,000,000) | 70% of local |

| | | | | |
|-----|---|-------------|------|---|
| | equipment, materials and related installation under Part B of the Project |) |) | expenditures for other items procured locally |
| (3) | Consultants' services | 2,000,000 | 100% | |
| (4) | Unallocated | 7,000,000 | | |
| | TOTAL | 110,000,000 | | |

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 Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

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

3. Notwithstanding the provisions of paragraph 1 above: (a) 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 twenty-two million dollars (\$22,000,000), may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after September 1, 1992; and (b) no withdrawals shall be made, and no commitment shall be entered into to pay amounts to or on the order of the Borrower, for expenditures under Category (2), unless the Borrower shall have furnished to the Bank a rehabilitation and environmental protection action plan, acceptable to the Bank for the rehabilitation of the Borrower's Bataan thermal plant, to be carried out under Part B of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to inter alia: (a) alleviate power shortages within the Luzon province by expanding and reinforcing the Borrower's related power transmission system, and rehabilitating its Bataan thermal power plant; (b) improve the efficiency and overall performance of the energy sector in the Republic of the Philippines; and (c) strengthen the Borrower's financial viability and institutional capabilities to enable it to undertake its long-term investment program.

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: Transmission System Expansion and Reinforcement.

Expanding and reinforcing the Borrower's power transmission system to meet the requirements of incremental power generation, through the provision of power transmission equipment and materials, including: (a) transmission lines, wooden poles, conductors, insulators and supports, and the installation of power transmission lines; and (b) power transformers, switching bays, capacitor banks, protection and power line carriers and communication equipment.

Part B: Rehabilitation of the Bataan Thermal Power Plant.

Rehabilitating both the 75 MW Unit No. 1 and 150 MW Unit No. 2 of the Borrower's oil-fired thermal power plant at Bataan, through the provision and installation of rehabilitation equipment and

materials.

Part C: Institutional Strengthening.

Provision of technical assistance services to assist the Borrower in carrying out, inter alia: (a) the EOIS; (b) a master plan for its extra high voltage power transmission; and (c) the rehabilitation of its Bataan thermal power plant under Part B of the Project.

* * *

The Project is expected to be completed by December 30, 1995.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|--------------------|---|
| March 15, 1999 | 2,055,000 |
| September 15, 1999 | 2,135,000 |
| March 15, 2000 | 2,210,000 |
| September 15, 2000 | 2,295,000 |
| March 15, 2001 | 2,380,000 |
| September 15, 2001 | 2,470,000 |
| March 15, 2002 | 2,560,000 |
| September 15, 2002 | 2,655,000 |
| March 15, 2003 | 2,755,000 |
| September 15, 2003 | 2,855,000 |
| March 15, 2004 | 2,960,000 |
| September 15, 2004 | 3,070,000 |
| March 15, 2005 | 3,185,000 |
| September 15, 2005 | 3,305,000 |
| March 15, 2006 | 3,425,000 |
| September 15, 2006 | 3,555,000 |
| March 15, 2007 | 3,685,000 |
| September 15, 2007 | 3,825,000 |
| March 15, 2008 | 3,965,000 |
| September 15, 2008 | 4,115,000 |
| March 15, 2009 | 4,265,000 |
| September 15, 2009 | 4,425,000 |
| March 15, 2010 | 4,590,000 |
| September 15, 2010 | 4,760,000 |
| March 15, 2011 | 4,935,000 |
| September 15, 2011 | 5,120,000 |
| March 15, 2012 | 5,310,000 |
| September 15, 2012 | 5,505,000 |
| March 15, 2013 | 5,710,000 |
| September 15, 2013 | 5,920,000 |

* 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

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 eleven 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 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 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).

2. To the extent practicable, contracts for goods and works shall be grouped into bid packages estimated to cost the equivalent of two hundred thousand dollars (\$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 within the territory of the Guarantor 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. Limited International Bidding

Wood poles for power transmission lines estimated to cost up to an aggregate amount equivalent to six million five hundred thousand dollars (\$6,500,000), may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from at least five (5) qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Local Competitive Bidding

Goods and related installation services estimated to cost the equivalent of two hundred thousand dollars (\$200,000) or less per contract, up to an aggregate amount equivalent to three million five hundred thousand dollars (\$3,500,000), may be procured under

contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Direct Contracting

Subject to the Bank's prior approval, contracts for the procurement of transmission line protection and communication equipment, up to an aggregate amount equivalent to three million five hundred thousand dollars (\$3,500,000), and turbine-generator and boiler parts and related materials, up to an aggregate amount equivalent to twenty-one million dollars (\$21,000,000), may be awarded after direct negotiations with original suppliers of existing plant 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 estimated to cost the equivalent of one million dollars (\$1,000,000) or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(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.

(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 fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

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.

