

CONFORMED COPY

CREDIT NUMBER 2958 GE

Development Credit Agreement

(Power Rehabilitation Project)

between

GEORGIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 19, 1997

CREDIT NUMBER 2958 GE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 19, 1997, between GEORGIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Association received a letter dated March 11, 1997, from the Borrower describing its main objectives, principles and policies in the power sector;

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

(C) the Project will be carried out by Joint Stock Company "Tbilsresi" (Tbilsresi), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Tbilsresi the proceeds of the Credit as provided in this Agreement; and

(D) The Borrower intends to contract from Kreditanstalt für Wiederaufbau (KfW) a loan in an amount equivalent to 30,000,000 Deutsche Marks (KfW Loan) to assist in financing part of the Project under terms and conditions to be set forth in an agreement (the KfW Agreement) to be entered into by the Borrower and KfW.

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Tbilsresi;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

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

- (c) Section 6.03 is modified to read:

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

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) "Project Agreement" means the agreement between the Association and Tbilisresri 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;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Tbilisresri 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 Loan Agreement and the term "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement;

(c) "Regulatory Agency" means the agency within the Borrower's Ministry of Economy responsible for regulating the power sector and, once the Electricity Law has been enacted, the independent regulatory agency established for the power sector

pursuant to such law;

(d) "Tbilsresi" means the Joint Stock Company Tbilsresi, a company established by Decree No. 1-3/855, adopted on September 29, 1996, by the Borrower's Minister of State Property Management, and whose Articles of Association were approved by Order No. 1-3/655, adopted on November 29, 1996, by the Borrower's Minister of State Property Management;

(e) "Sakenergo" means a state enterprise established pursuant to Presidential Decree No. 437, dated July 4, 1996 whose charter was adopted by the Borrower's Minister of Fuel and Energy by Order No. 16, dated August 19, 1996;

(f) "Financial Rehabilitation Plan" means the plan to reduce arrears in the power sector referred to in Section 4.03 of this Agreement and set forth in a letter of even date herewith;

(g) "Lari" means the currency of the Borrower;

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

(i) "Power Purchase Agreement" means an agreement to be entered between Tbilsresi and Sakenergo for each calendar year, establishing the sale prices (rates), the amount of capacity to be made available, the amount of electricity to be sold to Sakenergo, and the supply terms and conditions; and

(j) "IBRD" means International Bank for Reconstruction and Development.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty seven million seven hundred thousand Special Drawing Rights (SDR 37,700,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2007, and ending December 15, 2031. Each installment to and including the installment payable on December 15, 2016, shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

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

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

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

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

### 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Tbilisresi to perform in accordance with the provisions of the Project Agreement all of the obligations of Tbilisresi therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Tbilisresi 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 relend the proceeds of the Credit to Tbilisresi under a

subsidiary loan agreement to be entered into between the Borrower and Tbilisres, under terms and conditions which shall have been approved by the Association and which shall include the following principal terms:

(i) a portion of the Credit in an amount equivalent to \$37,000,000 shall be provided to Tbilisres for the financing of Parts A and C of the Project (Subsidiary Loan A); and a portion of the Credit in an amount equivalent to \$15,000,000 shall be provided to Tbilisres for the financing of Part B of the Project (Subsidiary Loan B) (Subsidiary Loan A and Subsidiary Loan B are collectively referred to as "Subsidiary Loans");

(ii) the principal amounts of the Subsidiary Loans shall be repaid by Tbilisres in Lari in amounts equivalent (determined as of the date or respective dates of repayment) to the value of currency or currencies withdrawn from the Credit Account or paid out of the Special Account on account of the cost of goods and services financed out of such proceeds for the Project;

(iii) subject to the provisions of Section 4.08 (b) of this Agreement, the principal amounts of the Subsidiary Loans shall be repaid over a period of no more than twenty (20) years, including a grace period of no more than three (3) years; and

(iv) Tbilisres shall pay an interest on the principal amounts of the Subsidiary Loans withdrawn and outstanding from time to time (and, in respect of the Subsidiary Loan B, not converted into a grant pursuant to Section 4.10 (b) of this Agreement) at a rate equivalent to the IBRD variable lending rate for currency pooled loans prevailing at the time of respective dates of repayment of the Subsidiary Loans as adjusted each January 1 to the then prevailing rate.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of the Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Tbilisres pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial and Other Covenants

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

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) 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 Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. By June 30, 1998, the Borrower shall finalize a privatization plan, including a timetable for its implementation, for Tbilisresi, acceptable to the Association and, thereafter, carry out all measures necessary on its part, to implement such privatization plan and its timetable.

Section 4.03. The Borrower shall: (a) ensure that the actions specified in the Financial Rehabilitation Plan, agreed upon with the Association, shall be carried out in accordance with the agreed timetable; and (b) submit to the Association, for its review, quarterly reports on the progress in the carrying out of such plan.

Section 4.04. The Borrower shall ensure that all actions required on its part in respect of Tbilisresi's business and investment plan for 1997-1999, as agreed with the Association, shall be carried out.

Section 4.05. The Borrower shall:

(a) increase the average residential tariffs for electricity for its customers to at least 0.045 Lari/kWh, by June 30, 1997:

(b) by December 31, 1998, set regulated tariffs which shall at least cover all operating and maintenance costs, interest on borrowed capital, full provisioning for bad debts, and depreciation based on revalued assets; and

(c) cause Sakenergo's average wholesale tariffs effective on January 1, 1998 and January 1, 1999 to be set at the level necessary to cover the losses resulting from unpaid electricity (defined as accounts overdue by more than 90 days) during the previous year supplied to the entities which, according to the Borrower's regulations shall be eligible for the guaranteed supplies of electricity irrespective of the fulfillment of their repayment obligations.

Section 4.06. The Borrower shall take all necessary actions, and cause Sakenergo to take all necessary actions, to ensure that Sakenergo shall collect (in average for each year) no less than 70% by December 31, 1997, 85% by December 31, 1998 and 90% by December 31, 1999 of its total tariffs due from customers. For the purposes of calculating the aforementioned targets, the data from the region of Abkhazia shall be excluded.

Section 4.07. The Borrower shall cause Sakenergo to furnish to the Association monthly reports showing electricity balance data and billing collections and payment arrears data at both wholesale and retail sale levels.

Section 4.08. The Borrower shall take all necessary measures to ensure that:

(a) Tbilisresesi shall be fully paid by Sakenergo for the electricity supplied in the amount and at the rates specified in the Power Purchase Agreement; and

(b) any shortfalls in Tbilisresesi's revenues resulting from the failure of Sakenergo to make payments, referred to in paragraph (a) above, shall be compensated, during the years 1997 and 1998, by the Borrower through converting a portion of the Subsidiary Loan B (as defined in Section 3.01 (b) (i) of this Agreement) equivalent to the amount of such shortfall into a grant.

#### ARTICLE V

##### Remedies of the Association

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

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

(c) Decree No. 1-3/855 or Order No. 1-3/655 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Tbilisresesi 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 Tbilisresesi or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the KfW Loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the KfW Agreement; or

(B) the KfW Loan shall have become due and payable prior to the maturity thereof.

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

Section 5.02. Pursuant to Section 7.01 (d) of 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 days after notice thereof shall have been given by the Association to the Borrower;

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

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

#### ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions that: (a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Tbilisresi; and

(b) all conditions precedent to the effectiveness of the KfW Agreement or to the right of the Borrower to make withdrawals therewith, except only the effectiveness of this Agreement, have been fulfilled.

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

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

(b) the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Tbilisresi and is legally binding upon the Borrower and Tbilisresi in accordance with its terms.

Section 6.03. 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 VII

Representative of the Borrower; Addresses

Section 7.01. 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  
70 Abashidze St.  
380062 Tbilisi  
Georgia

Telex:

212348 MOFIN SV

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

GEORGIA

By /s/ Tedo Japaridze

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Harrison

Acting Regional Vice President  
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods (including design and installment services)	26,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Fuel for Tbilisresi		
(a) for 1997 reserves	7,200,000 )	100% of foreign expenditures
(b) for 1998 reserves	3,600,000 )	
(3) Consultants' Services	400,000	100%
TOTAL	37,700,000 =====	

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: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of US\$10,000,000 may be made in respect of Category (2) on account of

payments made for expenditures before that date but after December 11, 1996; and (b) payments for expenditures under Category (2) (b) unless a Power Purchase Agreement for 1998, satisfactory to the Association, has been signed and furnished to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$300,000 equivalent; (b) consultants' services under contracts costing less than (i) \$100,000 equivalent for firms; and (ii) \$50,000 equivalent for individuals, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) increase the operational capacity and electricity generation of the Borrower's power system; (ii) stabilize electricity supply; (iii) assist Tbilisresesi with respect to its project management capability, corporate management and privatization process; and (iv) establish Tbilisresesi as a commercially independent and financially self-sufficient power generating company.

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

#### Part A:

Rehabilitation of Unit No. 10 of the Tbilisresesi thermal power plant through: (i) reparation of boiler heating surfaces and fuel burning systems; (ii) reparation of the turbine; (iii) rehabilitation of plant auxiliaries; (iv) installation of a new instrumentation and control system; (v) rehabilitation of the electric system; (vi) provision of spare parts and equipment; and (vii) installation of environmental monitoring equipment.

#### Part B:

The financing of the purchase of fuel for Tbilisresesi required for stabilization of electricity production.

#### Part C:

Provision of consultants' services and training to Tbilisresesi in the areas of project management, corporate management and privatization strategy.

\* \* \*

The Project is expected to be completed by December 31, 1999.

## SCHEDULE 3

### Special Account

1. For the purposes of this Schedule:

(a) the terms "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 Credit 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 \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an

amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 8,700,000.

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

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

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account 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 Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such

further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

