

CONFORMED COPY

GET GRANT NUMBER TF-028649 PH

Global Environment Trust  
Fund Grant Agreement

(Leyte-Luzon Geothermal Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as Trustee of the Global Environment  
Trust Fund

Dated September 12, 1994

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated September 12, 1994, between REPUBLIC OF THE PHILIPPINES (the "Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee (the "Trustee") of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (the "GET").

WHEREAS (A): The International Bank for Reconstruction and Development (the "Bank") pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the "Resolution"), established the Global Environment Facility consisting of the GET, Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B): Certain members of the Bank (the "Participants") have provided resources by way of grant into the GET and the Participants have requested the Bank, and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, the provisions of the Resolution;

WHEREAS (C): The Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution;

WHEREAS (D): By a Loan Agreement of even date herewith between the Recipient's National Power Corporation ("NPC") and the Bank, the Bank has agreed to make available to NPC an amount equivalent to one hundred thirteen million dollars (\$113,000,000) to assist in financing part of the Project on the terms and conditions set forth in said

Loan Agreement, and on the conditions set forth in the related Guarantee Agreement of even date herewith between the Recipient and the Bank;

WHEREAS (E): By a Loan Agreement of even date herewith between the Recipient's Philippine National Oil Company ("PNOC") and the Bank, the Bank has agreed to make available to PNOC an amount equivalent to one hundred fourteen million dollars (\$114,000,000) to assist in financing part of the Project on the terms and conditions set forth in said Loan Agreement, and on the conditions set forth in the related Guarantee Agreement of even date herewith between the Recipient and the Bank and related Project Agreement of even date herewith between the Bank and the Philippines National Oil Company -Energy Development Corporation ("PNOC-EDC");

WHEREAS (F): The Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the GET Grant to the Recipient 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. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the "General Conditions") constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Section 4.01 and the first sentence of Section 4.09;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Sections 10.01, 10.03 and 10.04;
  - (x) Article XI; and
  - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
  - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
  - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
  - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
  - (v) the term "Loan" and "loan" wherever used in the General Conditions, means the GET Grant;

- (vi) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account.
- (vii) a new sub-paragraph shall be added after sub-paragraph (j) and before sub-paragraph (k) in Section 6.02 of the General Conditions, as follows:

"An extraordinary situation shall have arisen in which any further disbursement under the GET Grant would exceed the resources available for disbursement from the GET."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, the Recitals to this Agreement, the NPC Loan Agreement and the PNOC Loan Agreement have the respective meanings therein set forth, and the following terms have the following meanings:

(a) "Category" means a withdrawal category set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Recipient's financial years, which period commences on January 1 and ends on December 31 in each calendar year;

(c) "NPC Subsidiary Grant Agreement" means the subsidiary grant agreement to be entered into between the Recipient and NPC pursuant to the provisions of Section 3.02 (a) of this Agreement;

(d) "PNOC Subsidiary Grant Agreement" means the subsidiary grant agreement to be entered into between the Recipient and PNOC pursuant to the provisions of Section 3.02 (b) of this Agreement;

(e) "NPC Guarantee Agreement" means the agreement of even date herewith between the Recipient and the Bank relating to the NPC Loan Agreement, as such may be amended from time to time; and such term includes all schedules and agreements supplemental to the NPC Guarantee Agreement;

(f) "NPC Loan Agreement" means the agreement of even date herewith between the Bank and NPC pursuant to which the Bank has agreed to make a loan to NPC to assist in financing part of the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the NPC Loan Agreement;

(g) "PNOC Guarantee Agreement" means the agreement of even date herewith between the Recipient and the Bank relating to the PNOC Loan Agreement, as such guarantee agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the PNOC Guarantee Agreement;

(h) "PNOC Loan Agreement" means the agreement of even date herewith between the Bank and PNOC pursuant to which the Bank has agreed to make a loan to PNOC to assist in financing part of the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the PNOC Loan Agreement;

(i) "PNOC-EDC Project Agreement" means the agreement of even date herewith between the Bank and PNOC-EDC relating to the PNOC Loan Agreement, as such project agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the PNOC-EDC Project Agreement; and

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

## ARTICLE II

### The GET Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to twenty-one million six hundred thousand Special Drawing Rights (SDR21,600,000).

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

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a special deposit account in Bangko Sentral ng Pilipinas on terms and conditions satisfactory to the Trustee, 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999, or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (a) cause NPC to carry out Part A of the Project, and cause PNOC to ensure that PNOC-EDC shall carry out Part B thereof, in both cases (i) with due diligence and efficiency, (ii) in conformity with appropriate administrative, energy, engineering, financial and power utilities practices, and (iii) in accordance with appropriate safety, health and environmental standards acceptable to the Bank; and (b) provide, and cause each of NPC and PNOC to provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Recipient shall make available to NPC the proceeds of the GET Grant allocated to Category (1), on a grant basis under a subsidiary grant agreement to be entered into between the Recipient and NPC under conditions which shall have been approved by the Trustee.

(b) The Recipient shall make available to PNOC the proceeds of the GET Grant allocated to Category (2), on a grant basis under a subsidiary grant agreement to be entered into between the Recipient and PNOC under conditions which shall have been approved by the Trustee.

(c) The Recipient shall exercise its rights under each of the NPC Subsidiary Grant Agreement and PNOC Subsidiary Grant Agreement in such manner so as to protect the interests of the Recipient and the Trustee and to accomplish the purposes of the GET Grant, and except as the Trustee shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the NPC Subsidiary Grant Agreement or the PNOC Subsidiary Grant Agreement, or any provision thereof.

Section 3.03. Except as the Trustee 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 GET Grant, shall be governed by the provisions of Schedule 3 to this Agreement.

### ARTICLE IV

#### Financial Covenants

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

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;

- (ii) furnish to the Trustee 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 Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Trustee has received the audit report for the Fiscal Year in which the last withdrawal from the GET Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee'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 4.02. (a) The Recipient shall cause each of NPC, PNOC and PNOC-EDC to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Recipient shall cause each of NPC, PNOC and PNOC-EDC to:

- (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 Trustee;
- (ii) furnish to the Trustee 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 Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning such records, accounts and financial statements and the audit thereof as the Trustee shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Trustee

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

(a) The Recipient, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of any of NPC or PNOC or PNOC-EDC or the suspension of any of their operations so as to materially and adversely affect the ability of NPC or PNOC or PNOC-EDC to carry out any of their respective obligations under the NPC Loan Agreement, the PNOC Loan Agreement or the PNOC-EDC Project Agreement.

(b) The right of NPC to withdraw any part of the proceeds of the NPC Loan under the NPC Loan Agreement shall have been suspended by the Bank.

(c) The right of PNOG to withdraw any part of the proceeds of the PNOG Loan under the PNOG Loan Agreement shall have been suspended by the Bank.

(d) NPC shall have failed to perform any of its obligations under the NPC Subsidiary Grant Agreement.

(e) PNOG shall have failed to perform any of its obligations under the PNOG Subsidiary Grant Agreement.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. This Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that:

(a) This Agreement has been fully executed on behalf of the Recipient and the Bank;

(b) All conditions precedent to the effectiveness of the NPC Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(c) All conditions precedent to the effectiveness of the PNOG Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(d) The NPC Subsidiary Grant Agreement has been executed on behalf of the Recipient and NPC; and

(e) The PNOG Subsidiary Grant Agreement has been executed on behalf of the Recipient and PNOG.

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 Trustee:

(a) The NPC Subsidiary Grant Agreement has been duly authorized or ratified by each of the Recipient and NPC, and is legally binding upon the Recipient and NPC in accordance with its terms; and

(b) The PNOG Subsidiary Grant Agreement has been duly authorized or ratified by each of the Recipient and PNOG, and is legally binding upon the Recipient and PNOG 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.

Section 6.04. This Agreement shall continue in effect until the GET Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations thereunder.

#### ARTICLE VII

##### Representative of the Recipient; Addresses

Section 7.01. The Secretary of Finance of the Recipient is designated as representative of the Recipient 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 Recipient:

Secretary of Finance  
Department of Finance  
Manila  
Republic of the Philippines

Cable address:

Telex:

SECFIN

40268

Manila

CB-CONF

For the Trustee:

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:

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

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.

REPUBLIC OF THE PHILIPPINES

By /s/ Raul Ch. Rabe

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
Acting as Trustee of the  
Global Environment Trust Fund

By /s/ Callisto Madavo

Acting Regional Vice President  
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

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

Category	Amount of the GET Grant Allocated (Expressed in SDR Equivalent)	% of Expenditure to be Financed
(1) Goods and related installation for Part A(1)(C)	10,400,000	26% of foreign expenditures for goods, 26% of local expenditures (ex-factory cost) for goods and 26% for installation services.
(2) Consultants' services for Part A(2) of	400,000	100%

	the Project		
(3)	Drilling services for Part B (1) (a) of the Project	9,500,000	90%
(4)	Goods and related installation for Part B (1)(c)	1,300,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost) for goods and 100% for installation services.
	TOTAL	21,600,000	

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 Recipient 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 Recipient or for goods or services supplied from the territory of the Recipient.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in aggregate amount not to exceed two million one hundred twenty-four thousand Special Drawing Rights (SDR 2,124,000) may be made on account of payments made for expenditures before that date but after October 1, 1993.

4. The Trustee may require withdrawals from the GET Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding the equivalent of two hundred thousand dollars (\$200,000), under such terms and conditions as the Trustee shall specify by notice to the Recipient.

5. If the Trustee shall have determined at any time that any payment made from the GET Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the GET Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (1) strengthen the efficiency of the energy sector, (2) assist in meeting the rapidly increasing demand for electrical power within the Recipient's Luzon Island by expanding PNOC-EDC's geothermal power generation capacity and expanding and reinforcing NPC's systems for the transmission of geothermally generated electric power, (3) strengthen the institutional capabilities and financial viability of NPC and PNOC-EDC and (4) promote private sector participation in geothermal power generation projects within the Recipient's territory.

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

Part A: NPC

(1) Carrying out of a program to interconnect the electrical power systems of Leyte and Luzon Islands with a high voltage direct current transmission network, consisting of:

(a) Construction of a 440 megawatt 350 kilovolt monopolar facility, consisting of two converter stations, one at Ormoc in Leyte Island and the other at Naga in Luzon Island, and related remote electrode stations;



(b) Construction of two cable terminal stations, one at Cabacungan on Leyte Island and the other at Matnog on Luzon Island, and provision and installation of about 19 kilometers of high voltage direct current submarine cables across the San Bernardino Strait in order to link said terminal stations;

(c) Construction of: (a) about 430 kilometers of twin circuit high voltage direct current overhead transmission lines from the two converter stations to be constructed under the Project to their respective cable terminal stations; and (b) electrode lines linking the two converter stations to be constructed under the Project and their respective remote electrode stations; and

(d) Rehabilitation of the transmission line between Naga and Tayabas on Luzon Island.

(2) Carrying out of a program to strengthen the environmental and social engineering departments of NPC.

(3) Preparation of designs for a hydroelectric power project at Casecnan in Luzon Island.

Part B: PNOC-EDC

(1) Carrying out of a program to develop a 440 megawatt geothermal energy field on Leyte Island, consisting of the:

(a) Drilling of about 65 producer and injector wells in the Malitbog, Mahanagdong and Alto-Peak sectors of the island, to develop geothermal resources;

(b) Construction of steam gathering systems and power transmission systems to expand the island's geothermal capacity by 440 megawatts; and

(c) Carrying out of a pilot program to recover and reinject carbon dioxide emitted from geothermal wells into geothermal reservoirs, consisting of drilling of injection wells and provision of surface processing and evacuation facilities and utilities.

(2) Construction of a 440 megawatt geothermal power plant.

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The Project is expected to be completed by June 30, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the "Guidelines").

2. For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two (2) pre-disclosed correction factors acceptable to the Trustee, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

3. In the procurement of goods and works in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Trustee shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Trustee.

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the territory of the Recipient 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

Limited International Bidding:

Drilling services, high temperature equipment and materials required for geothermal development estimated to cost the equivalent of two million dollars (\$2,000,000) or less per contract up to an aggregate amount not to exceed the equivalent of fourteen million eight hundred thousand dollars (\$14,800,000) may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three 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).

Part D: Review by the Trustee 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 three million dollars (\$3,000,000) or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two (2) conformed copies of the contract required to be furnished to the Trustee pursuant to said paragraph 2 (d) shall be furnished to the Trustee prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the GET Grant Account 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

Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Trustee 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.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1), (2), (3) and (4) 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 GET Grant 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 one

million dollars (\$1,000,000) to be withdrawn from the GET Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Trustee 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 Recipient shall furnish to the Trustee a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee the documents and other evidence required pursuant to para-graph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit into the Special Account such amount as the Recipient 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 Trustee from the GET Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into the Special Account:

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

(b) Once the total unwithdrawn amount of the GET Grant allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee 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 GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the Eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee 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 Trustee 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 Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Trustee 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 Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

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

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

