

CONFORMED COPY

LOAN NUMBER 3441 EGT

(Kureimat Power Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

EGYPTIAN ELECTRICITY AUTHORITY

Dated March 30, 1992

LOAN NUMBER 3441 EGT

LOAN AGREEMENT

AGREEMENT, dated March 30, 1992 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and EGYPTIAN ELECTRICITY AUTHORITY (the Borrower).

WHEREAS (A) Arab Republic of Egypt (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;

(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;

(C) to assist in the financing of the Project, the Borrower has obtained, under arrangements with the Guarantor: (i) a loan from the African Development Bank in the amount of \$350,000,000 equivalent, (ii) a loan from the Arab Fund for Economic and Social

Development in the amount of \$125,000,000 equivalent, (iii) a loan from the Guarantor (the proceeds of which were provided as a grant to the Guarantor from the Government of the Kingdom of Saudi Arabia) in the amount of about \$50,000,000 equivalent, and (iv) a loan from the Guarantor (the proceeds of which were provided as a grant to the Guarantor from the United States Agency for International Development) in an amount of about \$200,000,000; and

(D) in order to optimize utilization of its energy resources, the Guarantor has adopted and communicated to the Bank, in June 1991, as a part of a comprehensive economic reform program, measures for the gradual adjustment of energy prices; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

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

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

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

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

(b) "EGPC" means the Egyptian General Petroleum Corporation of the Guarantor;

(c) "Co-financing Amount" means the resources referred to in Recital (C) of the Preamble to this Agreement;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EGPC pursuant to the provisions of Section 3.01 (c) of this Agreement;

(e) "Kureimat Power Station" means the power station to be constructed under Part A (1) of the Project;

(f) "EDC" means any Egyptian Electricity Distribution Company; and

(g) "Fiscal year" means any fiscal year of the Borrower, covering the period from July 1 in any calendar year to June 30 in the following calendar year.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement,

various currencies that shall have an aggregate value equivalent to the amount of two hundred twenty million dollars (\$220,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank or in the Guarantor's Central Bank on terms and conditions satisfactory to the Bank; such conditions shall include, if the Special Account is opened in a commercial bank, 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 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 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 per cent ($3/4$ 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 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 June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) For the purpose of constructing the gas pipeline referred to in Part A (2) of the Project, the Borrower shall conclude, under terms and conditions satisfactory to the Bank, a subsidiary loan agreement with EGPC which shall provide, inter alia, for:

- (i) the obligation of the Borrower to onlend to EGPC the proceeds of the Loan allocated for the supply of materials and equipment required for such pipeline under Category (1) (b) of the table set forth in Schedule 1 to this Agreement; and
- (ii) the obligation of EGPC (A) to complete the construction and operation of such pipeline in accordance with a time schedule which shall assure timely and adequate supply of natural gas to the Kureimat Power Station, (B) to repay the amount onlent to it by the Borrower under the Subsidiary Loan Agreement over an amortization period not exceeding the period specified for the amortization of the Loan pursuant to Schedule 3 to this Agreement, with interest at an annual rate identical to that applicable to the Loan from time to time pursuant to the provisions of Section 2.06 of this Agreement, and (C) to make the debt service payments with respect to the amount onlent to it by the Borrower under the Subsidiary Loan Agreement in the same amount of currency or currencies in which debt service payments with respect to the corresponding amount

of the Loan shall be made by the Borrower to the Bank, or, at the option of the Borrower, the equivalent thereof in the Guarantor's currency, determined as of the respective dates of such debt service payments.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall continue to carry on its operations and conduct its affairs in accordance with sound engineering, administrative, financial 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 continue to 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 engineering, financial and public utility practices.

Section 4.03. The Borrower shall: (a) prepare and discuss with the Bank, not later than December 31, 1992, arrangements for insurance of assets of the Borrower, including its major power generation facilities, against such risks and in such amounts as shall be consistent with appropriate public utility practices, and (b) by June 30, 1996, acquire and maintain such insurance in accordance with such arrangements, taking into account the Bank's comments thereon.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain 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) of the Borrower, and of the EDCs and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements of the Borrower and of the EDCs for such year as so audited, (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and (C) proforma consolidated accounts of the Borrower and the EDCs; 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 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) The Borrower shall, except as may otherwise be agreed with the Bank: (i) produce funds from internal sources equivalent to not less than 20% for fiscal year 1991/1992, 30% for fiscal year 1992/1993 and 35% for each of the following fiscal years of the annual average of the Borrower's capital expenditures incurred (or expected to be incurred) during such year, the preceding fiscal year and the following fiscal year; and (ii) not incur a debt, if after the incurrence of such debt the internal cash generation of the Borrower for the twelve-month period preceding the incurrence of such debt would be less than 1.5 times the estimated maximum debt service requirement for any succeeding fiscal year on the debt of the Borrower.

(b) At the middle of each fiscal year, the Borrower shall review, on the basis of forecasts satisfactory to the Bank, its ability to meet the requirements stated in paragraph (a) of this Section, and shall take, on the basis of such review, the measures, if any, required therefor.

(c) For the purposes of paragraph (a) of this Section:

- (i) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, consumer deposits and consumer contribution in aid of construction and net non-operating income; and
 - (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt services requirements, all cash dividends and other cash distributions of surplus and other cash outflows other than capital expenditures.
- (ii) 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 (A) above.

- (iii) The term "debt service requirements" means the aggregate amount of repayment (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (iv) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction related to operation.
- (v) 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 lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by the Borrower 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 Guarantor and the Bank.
- (vi) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (vii) Debt shall be deemed to be incurred: (A) under a loan contract or 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, but only to the extent that the amount of such debt has become outstanding; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.
- (viii) The term "internal cash generation" means gross revenues from all sources related to operations, less all expenses related to operations, including maintenance and administration and all taxes or payments in lieu of taxes, but before provision for depreciation of assets (including provisions not involving movement of cash but which are treated as operating expenses under the uniform system of account of the Guarantor) and interest and other charges on debt.

Section 5.03. The Borrower shall take all action required to ensure, starting with the fiscal year ending on June 30, 1992, that the amounts remaining outstanding in the accounts receivable for the sale of electricity shall not exceed, at any time, the equivalent of three months average revenues of electricity sales.

Section 5.04. The Borrower shall: (a) by December 31, 1993, prepare and furnish to the Bank for its comments, the financial and cost accounting system, referred in Part B (4) of the Project; and (b) implement such system by December 31, 1994, taking into account the Bank's comments thereon.

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) Law No. 12 of 1976 regulating the Borrower shall have been amended, suspended or repealed so as to affect materially and adversely the Borrower's ability to carry out its obligations under this Agreement.

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

(A) The right of the Borrower to withdraw the proceeds of any part of the Co-financing Amount shall have been suspended, cancelled or terminated pursuant to the terms of the agreement providing therefor; or

(B) any loan included in the Co-financing Amount shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that (A) such suspension, cancellation or prematuring is not caused by the failure of the Borrower to perform its obligations under the agreement concerning the relevant Co-financing Amount; and (B) adequate funds for the Project are available to the Borrower on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 6.01 shall occur; and

(b) the event specified in paragraph (b) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of that paragraph.

ARTICLE VII

Effective Date; Termination

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

(a) the Guarantor has taken the action referred to in Section 2.03 (a) of the Guarantee Agreement; and

(b) the Subsidiary Loan Agreement has been concluded between the Borrower and EGPC.

Section 7.02. The date 120 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 Chairman of the Board of Directors 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:Telex:

INTBAFRAD	197688 (TRT),
Washington, D.C.	248423 (RCA),
	64145 (WUI)
	82987 (FTCC)

For the Borrower:

Egyptian Electricity Authority
Nasr City, Abbasiah
Cairo
Arab Republic of Egypt

Cable address:	Telex:
ELECTROCOP	92097 POWER UN
Cairo, Egypt	

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/ Caio Koch-Weser
Regional Vice President
Middle East and North Africa

EGYPTIAN ELECTRICITY AUTHORITY

By /s/ El Sayed Abdel Raouf El Reedy
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 and materials (including installation cost):		100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(a) for Part A (1) of the Project	93,800,000	
(b) for Part A (2) of the Project	37,000,000	

(c) for Part A (3) of the Project	58,600,000	
(d) for Part B of the Project	5,900,000	
(2) Consultants' ser- vices and training for Part B of the Project	2,900,000	100% of foreign expenditures
(3) Unallocated	21,800,000	
	<hr/>	
TOTAL	220,000,000	
	=====	

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, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in: (a) meeting the growing demand for electricity, (b) improving the efficiency and reliability of the Borrower's interconnected power system, and (c) improving the Borrower's financial position and technical capabilities.

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

Part A: Power Station and Related Facilities

(1) Construction, at Kureimat in the Giza Governorate, of a dual fuel (oil and natural gas) fired thermal power station (the Kureimat Power Station) with a net installed capacity of 1,200 MW.

(2) Construction of about 162 km of a 20-inch diameter natural gas pipeline, interconnecting the Kureimat Power Station to the gas grid.

(3) Supply and installation of (a) about 150 km of 500-kV transmission lines interconnecting the Kureimat Power Station to the Borrower's unified power system, (b) about 90 km of 220-kV transmission lines to assist in transmission of power to the load centers, (c) equipment for rehabilitation of the Tanta sub-station to improve the reliability of the Borrower's transmission system, and (d) capacitors to improve the efficiency of power transmission from power stations to the load centers.

Part B: Institutional Development

Provision of technical assistance to the Borrower, including experts' services, equipment and materials, required for: (1) detailed engineering under the Project, (2) training of staff, (3) establishment of a data bank and a management information system,

including a system for management of the Project, (4) the preparation and implementation of a computerized financial and cost accounting system, and (5) introduction of an efficient load management system.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1997	4,010,000
June 1, 1998	4,165,000
December 1, 1998	4,330,000
June 1, 1999	4,495,000
December 1, 1999	4,670,000
June 1, 2000	4,850,000
December 1, 2000	5,035,000
June 1, 2001	5,230,000
December 1, 2001	5,435,000
June 1, 2002	5,645,000
December 1, 2002	5,860,000
June 1, 2003	6,090,000
December 1, 2003	6,325,000
June 1, 2004	6,570,000
December 1, 2004	6,820,000
June 1, 2005	7,085,000
December 1, 2005	7,360,000
June 1, 2006	7,645,000
December 1, 2006	7,940,000
June 1, 2007	8,245,000
December 1, 2007	8,565,000
June 1, 2008	8,895,000
December 1, 2008	9,240,000
June 1, 2009	9,595,000
December 1, 2009	9,970,000
June 1, 2010	10,355,000
December 1, 2010	10,755,000
June 1, 2011	11,170,000
December 1, 2011	11,600,000
June 1, 2012	12,050,000

* 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 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Egypt may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items of small equipment such as valves, special pipes, training and data bank equipment, measuring instruments, recorders and relays, estimated to cost the equivalent of not more than \$70,000 per contract and \$500,000 in the aggregate may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines in accordance with procedures acceptable to the Bank.

2. Items of equipment required to be procured from the original suppliers of the facility referred to in Part A (3) (c) of the Project, estimated to cost the equivalent of not more than \$100,000 in the aggregate, may be procured on the basis of contracts negotiated directly with such suppliers, on terms and conditions satisfactory 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 \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account

in respect of such contract.

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

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

2. The figure of 10% 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 the carrying out of the activities referred to in Part B of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Any such consultants whose employment may be financed from the proceeds of the Loan 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.

SCHEDULE 5

Implementation Program

(1) Technical and Environmental Requirements

The Borrower shall:

(a) ensure the continuing employment of the engineering consultants required to assist the Borrower in the carrying out of Part A (1) and A (3) (a) of the Project until the completion thereof;

(b) cause such consultants, with respect to the Kureimat Power Station, to install pollution monitoring equipment and to start background pollution measurement by March 31, 1993, and to prepare and furnish to the Bank, starting in October 1993, semi-annual reports on such measurement;

(c) ensure, in the engineering design of steam generators, that adequate space is provided for future installation of particulates (dust) collecting devices, if necessary;

(d) ensure that adequate measures are taken during the design, construction, operation and maintenance of the Kureimat Power Station to comply with the environmental standards of the Guarantor and the Borrower regarding stack emissions, ambient air quality, water quality, effluent treatment, discharge of water in the river and noise pollution;

(e) establish, by December 31, 1992, an adequately staffed environmental management unit to be responsible for the monitoring and enforcement of environmental standards regarding the construction, operation and maintenance of the Kureimat Power Station; and

(f) ensure that no equipment procured for the transmission lines or substations included in Part A of the Project shall use polychlorinated biphenyls (PCB) and take appropriate measures for the handling, dismantling and disposal of old equipment containing PCB.

(2)Reporting

The Borrower shall:

(a) prepare, through the environmental management unit referred to in Part (1) (e) of this Schedule, and furnish to the Bank, on a format agreeable to the Bank, semi-annual reports on the environmental aspects of the Project; and

(b) prepare and furnish to the Bank brief monthly and detailed semi-annual reports on progress in the carrying out of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$9,000,000 to be withdrawn from the Loan 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 Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the

respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

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

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

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

