

CONFORMED COPY

LOAN NUMBER 3107 PAK

Loan Agreement
(Second Energy Sector Loan)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 8, 1989

LOAN NUMBER 3107 PAK

LOAN AGREEMENT

AGREEMENT, dated December 8, 1989, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated June 4, 1989 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's energy sector (hereinafter called the Adjustment Program), declaring the Borrower's commitment to the execution of the Adjustment Program, and requesting assistance from the Bank in the financing of urgently needed imports and services required during such execution;

(B) the Bank has also received a letter dated June 4, 1989 from the Borrower describing a core program of investments in energy-related activities for the fiscal years 1989 through 1991 (hereinafter called the Investment Program) and the related financing plan, declaring the Borrower's commitment to the execution of the Investment Program, and requesting assistance from the Bank in the financing of goods and services required for the Investment Program;

(C) the Investment Program will be carried out by certain public sector agencies and enterprises with the Borrower's assistance and, as part of such assistance, the Borrower will make available to such public sector agencies and enterprises a portion of the proceeds of the Loan as provided in this Agreement; and

(D) on the basis, inter alia, of the foregoing, the

Bank has decided in support of the Programs to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

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 thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the programs referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.";
and

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

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) "WAPDA" means the Water and Power Development Authority of Pakistan, established and existing under the Pakistan Water and Power Development Authority Act, 1958, as amended;

(b) "KESC" means the Karachi Electricity Supply Corporation Limited, established under the Companies Ordinance, 1984, as amended;

(c) "OGDC" means the Oil and Gas Development Corporation established and existing under the Oil and Gas Development Corporation Ordinance, 1961, as amended;

(d) "SNGPL" means the Sui Northern Gas Pipelines Limited, established under the Companies Ordinance, 1984, as amended;

(e) "SSGC" means the Sui Southern Gas Company Limited, established under the Companies Ordinance, 1984, as amended;

(f) "PMDC" means the Pakistan Mineral Development Corporation Limited, established under the Companies Ordinance, 1984, as amended;

(g) "Energy Sector Entities" mean collectively WAPDA, KESC, OGDC, SNGPL, SSGC and PMDC, and "Energy Sector Entity" means each or any of the Energy Sector Entities;

(h) "MWP" means the Borrower's Ministry of Water and Power;

(i) "MPNR" means the Borrower's Ministry of Petroleum and Natural Resources;

(j) "EWPD" means the Energy Wing of the Borrower's Ministry of Planning and Development;

(k) "ENERCON" means the National Energy Conservation Centre, established under the Borrower's Ministry of Planning and Development;

(l) "DOFMAC" means the Forestry Division of the Borrower's Ministry of Agriculture and Cooperatives;

(m) "EUAD" means the Environment and Urban Affairs Division of the Borrower's Ministry of Housing and Works;

(n) "Public Sector Agencies and Enterprises" mean collectively the agencies and enterprises referred to in paragraphs (a) through (f) and (h) through (m) of this Section;

(o) "Program Agreement" means the agreement among the Bank and the Energy Sector Entities 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 Program Agreement;

(p) "Subsidiary Loan Agreements" means collectively the agreements to be entered into between the Borrower and each of the Energy Sector Entities pursuant to Section 3.02 (a) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements, and "Subsidiary Loan Agreement" means each and any of the Subsidiary Loan Agreements;

(q) "SBP" means the State Bank of Pakistan, being the central bank of the Borrower;

(r) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(s) "Rs" and "rupees" mean the currency of the Borrower;

(t) "Special Accounts" mean collectively the accounts referred to in Section 2.02 (b) of this Agreement and more fully defined in paragraphs (u) through (bb) of this Section, and "Special Account" means each and any of the Special Accounts;

(u) "Adjustment Program Special Account" means the Special Account which the Borrower shall open and maintain for the purposes of the Adjustment Program pursuant to Section 2.02 (b) of this Agreement;

(v) "Borrower's Investment Program Special Account" means the Special Account which the Borrower shall open

and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement;

(w) "WAPDA Special Account" means the Special Account which WAPDA shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement;

(x) "KESC Special Account" means the Special Account which KESC shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement;

(y) "OGDC Special Account" means the Special Account which OGDC shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement;

(z) "SSGC Special Account" means the Special Account which SSGC shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement;

(aa) "SNGPL Special Account" means the Special Account which SNGPL shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement;

(bb) "PMDC Special Account" means the Special Account which PMDC shall open and maintain for the purposes of the Investment Program pursuant to Section 2.02 (b) of this Agreement and Section 2.01 (b) of the Program Agreement; and

(cc) "FY" or "fiscal year" means the period July 1 through June 30.

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 fifty million dollars (\$250,000,000), 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.

(b) The Borrower shall, for the purposes of the Programs, open and maintain, and shall cause the Energy Sector Entities to open and maintain, in dollars special accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1991 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later

date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 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 2 to this Agreement.

Section 2.08. (a) SBP is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of the Adjustment Program.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts SBP with responsibility for the preparation of withdrawal applications under the Loan in respect of the Adjustment Program and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$5,000,000 equivalent.

Section 2.09. The Chief Executive Officers of the Energy Sector Entities are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of the parts of the Investment Program for which the Energy Sector Entities are respectively responsible.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Programs and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Programs, in such detail as the Bank shall reasonably request.

Section 3.02. (a) For the purposes of carrying out the Investment Program, the Borrower shall make available the portion of the Loan allocated to the Investment Program as follows:

- (i) in an amount equivalent to about \$2,500,000 in the aggregate to MWP, MPNR, EWPD, ENERCON, DOFMAC, and EUAD, on a grant basis; and
- (ii) in an amount equivalent to about \$57,500,000 to WAPDA, in an amount equivalent to about \$17,500,000 to KESC, in an amount equivalent to about \$27,500,000 to OGDC, in an amount equivalent to about \$14,500,000 to SNGPL, in an amount equivalent to about \$5,000,000 to SSGC, and in an amount equivalent to about \$500,000 to PMDC, all under subsidiary loan agreements to be entered into between the Borrower and each of the Energy Sector Entities, under the terms and conditions which shall have been approved by the Bank and which shall include:
 - (aa) payment of interest, in respect of WAPDA, at the rate of eleven percent (11%) per annum, and, in respect of the other Energy Sector Entities, at the rate of fourteen percent (14%) per annum;
 - (bb) repayment of the principal amount which shall be the aggregate equivalent of the amounts withdrawn from the Loan Account expressed in rupees determined as of the respective dates of withdrawal; and
 - (cc) repayment of the principal amount over a period of 20 years, including a grace period of 5 years.

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

Section 3.03. Except as the Bank shall otherwise agree:

(a) procurement of the goods and consultants' services to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this

Agreement; and

(b) the invitations to bid for goods estimated to cost the equivalent of not less than \$40,000,000 in the aggregate and to be financed out of the proceeds of the Loan shall be issued not later than December 31, 1989.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 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 and maintenance respectively) in respect of the Investment Program shall be carried out by the Energy Sector Entities to the extent that they are responsible for the Investment Program pursuant to Section 2.03 of the Program Agreement.

Section 3.05. Except as the Bank shall otherwise agree, the Borrower shall:

(a) not later than March 31, 1991, complete a review of: (i) the arrangements for the granting of coal concessions, including an examination of the contents of concession agreements, with a view to ensuring consistency of such arrangements with similar arrangements for the granting of oil and gas concessions; and (ii) the fiscal incentive framework for investments in coal development, with a view to identifying improvements needed to attract such investments by the private sector;

(b) not later than September 30, 1991, complete a forestry inventory of the country, and, on the basis thereof, formulate a long-term reforestation program;

(c) not later than March 31, 1991, complete a study to assess the impact of higher gas prices on the ex-factory prices of fertilizers, and to identify possible investments in retrofitting and changes in technology needed to improve the efficiency of gas utilization;

(d) not later than March 31, 1991, complete a study to: (i) assess the potential for peak shaving of gas consumption; and (ii) formulate a tariff structure for gas such as would promote such peak shaving and prepare a time schedule, satisfactory to the Bank, for the implementation thereof;

(e) not later than March 31, 1991, develop and install in MPNR an oil refinery simulation model to assist in assessing the impact of alternative pricing proposals on the optimum mix of refined petroleum products, and, for this purpose, not later than March 31, 1990, appoint in MPNR two additional staff members with suitable qualifications and experience; and

(f) not later than March 31, 1991, complete a study to eliminate the constraints to energy conservation in industry arising from existing tax, industrial and trade legislation and, on the basis thereof, not later than June 30, 1991, establish an incentive framework satisfactory to the Bank to promote such energy conservation.

Section 3.06. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan for the Adjustment Program and for the goods and services provided under the Investment

Program for which the Borrower is responsible.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Adjustment Program Special Account and the Borrower's Investment Program Special Accounts 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 copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and 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 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 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 audits 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 3.07. (a) The Borrower and the Bank shall, not later than May 31 in each year, beginning 1990, and at any time at the request of either party, review progress achieved in carrying out the Investment Program and the related financing plan and the measures proposed to be taken to continue to implement the Investment Program.

(b) Prior to each such review, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the said

Investment Program and financing plan, in such detail as the Bank shall reasonably request.

Section 3.08. The Borrower shall, not later than May 31 in each year beginning 1990, review with the Bank the progress made in processing proposals received for private sector investments in the energy sector, and identify the measures, if any, proposed to facilitate and expedite such processing.

Section 3.09. Except as the Bank shall otherwise agree, the Borrower shall in a manner satisfactory to the Bank:

(a) not later than December 31, 1991, formulate a household energy strategy, together with an action plan for its implementation; and

(b) to that end, not later than June 30, 1991, develop data base on the supply and demand of household energy.

Section 3.10. Except as the Bank shall otherwise agree, the Borrower shall take measures satisfactory to the Bank to commence, not later than July 1, 1990, the rationalization of the electricity tariff structure, including, but not limited to, the introduction of peak/off-peak pricing of electricity for the three hundred largest industrial and other bulk consumers.

Section 3.11. The Borrower shall, in respect of WAPDA's local cost requirements under its Investment Program for the period FY90 through FY93:

(a) cause WAPDA to finance such requirements from the funds produced by WAPDA from its internal sources pursuant to Section 4.02 of the Program Agreement or borrowed by WAPDA; and

(b) in the event of a short-fall or expected short-fall in such funds in any given fiscal year, cause WAPDA to make up the short-fall through an appropriate levy to be charged by WAPDA on its sales of electricity; provided, however, that, without limitation to the provisions of Section 4.02 of the Program Agreement, such levy shall not result in an increase of more than 15% in the electricity tariff for FY90 nor in an average annual increase of more than 10% in the electricity tariff over the period FY89 through FY93, based on an assumed annual inflation rate of 8% over the same period.

Section 3.12. The Borrower shall, not later than January 31, 1990, revise, to the satisfaction of the Bank, the gas producer pricing formula applicable to new gas concessions in offshore areas granted after July 1, 1989, so as to ensure full parity with the border price of fuel oil, less negotiated discounts for geological and market conditions.

Section 3.13. Except as the Bank shall otherwise agree, the Borrower shall:

(a) beginning FY91, annually increase the price of gas supplied to households so as to achieve full parity with the border price of fuel oil by June 30, 1993;

(b) effective July 1, 1989, introduce a development surcharge on the sale of gas supplied by producers directly to the power sub-sector, and thereafter annually increase such development surcharge so that, by June 30, 1995, the price of such gas, including such development surcharge, has achieved full parity with the

domestic price of fuel oil, less discounts for the gas transmission investments made by the power subsector; and

(c) continue to maintain the price of gas supplied as fuel by the gas transmission and distribution companies to the industrial, commercial and power subsectors at least at full parity with the domestic price of fuel oil.

Section 3.14. Except as the Bank shall otherwise agree, the Borrower shall, not later than December 31, 1989, furnish to the Bank an action plan satisfactory to the Bank for the appraisal and development of the oil and gas fields at Loti, Pirkoh, Nandpur, Dhodak, Dakhni, Uch and Panjpir.

Section 3.15. Except as the Bank shall otherwise agree, the Borrower shall, not later than May 31 in each year, review with the Bank the progress made in designating separate areas for oil and gas exploration by OGDC and by private sector investors, respectively.

Section 3.16. Except as the Bank shall otherwise agree, the Borrower shall:

(a) not later than December 31 in each of the years 1989 and 1990, review with the Bank the results of the application of the ex-refinery pricing formula for petroleum products introduced in 1988 for the Pakistan Refinery Limited and the National Refinery Limited; and

(b) not later than September 30, 1991, revise, as necessary, on the basis of such reviews, the ex-refinery pricing formula for petroleum products for the Pakistan Refinery Limited, the National Refinery Limited and the Attock Refinery Limited.

Section 3.17. Except as the Bank shall otherwise agree, the Borrower shall, on each occasion there is an increase, in rupee terms, in the import price of crude oil beginning FY90, promptly adjust the domestic prices of petroleum products so as to recover from consumers the difference between the import price of crude oil obtaining after such increase and the import price of crude oil obtaining at the time of the last preceding adjustment of the domestic prices of petroleum products.

Section 3.18. Except as the Bank shall otherwise agree, the Borrower shall, not later than December 31, 1989, prepare and furnish to the Bank, for comments, an action plan for:

(a) undertaking feasibility and detailed engineering studies for retrofitting and other energy conservation projects for about twenty of the largest industrial energy-consuming plants in the public sector;

(b) financing retrofitting and other energy conservation projects and related studies for about twenty of the largest energy-consuming plants in the private sector; and

(c) formulating proposals for energy conservation investments in the agricultural, industrial, transportation and construction sectors.

Section 3.19. The Borrower shall: (a) not later than December 31, 1989, furnish to the Bank, for its comments, an action plan for the establishment of an operationally independent power distribution wing within WAPDA; and (b) ensure the establishment of such power distribution wing under arrangements satisfactory to the Bank, not later

than December 31, 1991.

Section 3.20. (a) Except as the Bank shall otherwise agree, the Borrower shall, not later than March 31, 1991, prepare and furnish to the Bank an organizational and financial restructuring plan, satisfactory to the Bank, for KESC.

(b) Except as the Bank shall otherwise agree, the Borrower shall, not later than December 31, 1989, establish an inter-ministerial committee to oversee the preparation of the organizational and financial restructuring plan for KESC referred to in paragraph (a) of this Section.

Section 3.21. (a) Except as the Bank shall otherwise agree, the Borrower shall, not later than January 31, 1990, commence the implementation of a financial restructuring plan for OGDC, satisfactory to the Bank, providing, inter alia, for:

- (i) the restructuring of OGDC's balance sheet by reconciling the book value of its current and fixed assets with the results of a physical inventory and valuation of such assets; and
- (ii) the estimating of OGDC's oil and gas reserves in order to provide a basis for determining the current value of OGDC's deferred exploration and development expenditures and revising the amortization rates of deferred costs of OGDC's successful oil and gas explorations.

(b) Except as the Bank shall otherwise agree, the Borrower shall, with effect from July 1, 1989, make funds available to OGDC on a loan basis only and on the terms and conditions set forth in respect of OGDC in Section 3.02 (a) of this Agreement.

(c) Except as the Bank shall otherwise agree and subject to the provisions of paragraph (b) of this Section, the Borrower shall make available from its own resources the funds needed by OGDC for the purposes of OGDC's Investment Program during FY90.

(d) Except as the Bank shall otherwise agree, the Borrower shall take all steps necessary to ensure that internationally reputable independent auditors acceptable to the Bank will be appointed, not later than March 31, 1990, to carry out an audit, in accordance with international accounting standards and auditing principles, of OGDC's financial operations for each of the fiscal years 1990 and 1991.

Section 3.22. The Borrower shall, not later than March 31, 1990, promulgate rules, satisfactory to the Bank, providing, inter alia, for the matters referred to in Section 29 of the Oil and Gas Development Corporation Ordinance, 1961, as amended to the date of this Agreement.

Section 3.23. The Borrower shall, not later than December 31, 1989, furnish to the Bank an action plan, satisfactory to the Bank, for the development of the central block of the Lakhra coal field, including possible proposals for participation by private sector investors in such development.

Section 3.24. The Borrower shall, not later than

December 31, 1989, prepare and furnish to the Bank a strategy, satisfactory to the Bank, for the privatization of SSGC.

Section 3.25. The Borrower shall:

(a) not later than December 31, 1989, review with the Bank the recommendations of the study on the promotion of accelerated coal development carried out under the Bank-financed Energy Sector Loan (Loan No. 2552 PAK); and

(b) not later than March 31, 1990 and taking into account such recommendations, prepare and furnish to the Bank an action plan mutually satisfactory to the Borrower and the Bank for the restructuring of the institutions responsible for the exploration, development and production of coal.

Section 3.26. The Borrower shall, in respect of private sector energy development projects, adopt and announce not later than December 31, 1989, a policy, satisfactory to the Bank, regulating the modes and sources of local cost financing available for such projects.

Section 3.27. Except as the Bank shall otherwise agree, the Borrower shall, not later than March 31, 1990, prepare and furnish to the Bank an Environmental Action Plan (EAP), satisfactory to the Bank, for the energy sector providing, inter alia, for:

(a) the adoption, by December 31, 1991, of environmental standards for protection against air and water pollution;

(b) the adoption, by July 31, 1990, of guidelines for assessment of the environmental impact of energy producing activities;

(c) the adoption of improved health and safety and emergency management standards; and

(d) the development of capability in the key institutions in the energy sector to deal with environmental issues.

ARTICLE IV

Additional Events of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Programs, or a significant part thereof, will be carried out.

(b) Any Energy Sector Entity shall have failed to perform any of its obligations under the Program Agreement.

(c) The Pakistan Water and Power Development Authority Act, 1958, the Oil and Gas Development Corporation Ordinance, 1961, and the Articles of Association of KESC, SNGPL, SSGC and PMDC shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Energy Sector Entities or any of them to perform any of their obligations under the Program Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any Energy Sector Entity or for the suspension of its operations.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 4.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (a), (c) and (d) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Subsidiary Loan Agreements have been executed on behalf of the Borrower and the Energy Sector Entities;

(b) the Special Accounts have been opened;

(c) the development surcharge on the sale of gas supplied by producers directly to the power subsector has been introduced pursuant to Section 3.13 (b) of this Agreement so that the price of such gas, including such development surcharge, is at least 30% of the domestic price of fuel oil, less discounts for the gas transmission investments made by the power subsector;

(d) the electricity tariffs have been increased effective July 1, 1989, so as to satisfy WAPDA's funding requirements for FY90 in accordance with Section 4.02 of the Program Agreement; and

(e) a notification has been issued declaring EWPD a permanent and integral part of the Secretariat of the Borrower's Planning and Development Division, absorbing selected existing contract staff of EWPD as the Borrower's regular employees on a permanent basis, and establishing in EWPD an economic and finance section headed by a chief and supported by at least two economists and two financial analysts, all in a manner satisfactory to the Bank.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

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

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and the Energy Sector Entities and are legally binding upon the Borrower and the Energy Sector Entities in accordance with their terms.

Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required during the execution of the Programs and to be financed out of such proceeds.

2. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amount 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) Goods for the Adjust-ment Program	125,000,000	100% of foreign expenditures
(2) Goods and services for the Investment Program	125,000,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); 65% of local expenditures for other items procured locally for goods; and 100% of expenditures for consultants' services
TOTAL	250,000,000 =====	

3. 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.

4. Notwithstanding the provisions of paragraphs 1 and 2 above, no withdrawals shall be made in respect of:

(a) expenditures in respect of Category (1) for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
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112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and gold- smiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in respect of Category (2) for goods other than those described in the Annex to this Schedule;

(c) expenditures in respect of Category (1) in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(d) payments made for expenditures prior to the date of this Agreement, except that withdrawals under Category (1) in an aggregate amount not exceeding the equivalent of \$25,000,000 may be made on account of payments made for such expenditures before that date but after March 1, 1989;

(e) payments made for expenditures prior to the date of this Agreement, except that withdrawals under Category (2) in an aggregate amount not exceeding the equivalent of \$12,500,000 may be made on account of payments made for such expenditures before that date but after July 15, 1989;

(f) expenditures in respect of Category (1) for goods procured under contracts costing less than \$50,000 equivalent;

(g) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance; and

(h) expenditures for goods intended for a military or para-military purpose or for luxury consumption.

5. No withdrawal shall be made and no commitment shall

be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (1) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account under such Category and the total amount of such commitments shall have reached the equivalent of \$75,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Adjustment Program, and (b) that the actions described in Schedule 4 to this Agreement have been taken.

6. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan under Category (2) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account under such Category and the total amount of such commitments shall have reached the equivalent of \$80,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Investment Program, and (b) that the actions described in Schedule 4 to this Agreement have been taken.

7. If, after the exchange of views described in paragraphs 5 and 6 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

ANNEX TO SCHEDULE 1

Public Sector Agencies and Enterprises	Subsector	Description of Goods and Services
(1) WAPDA assistance, parts, and	Electricity	Technical transmission and dis- tribution equipment, generating plant, efficiency equipment, telecommunication equipment, spare specialized vehicles intermediate goods and equipment
(2) KESC assistance,	Electricity	Technical transmission and dis- tribution equipment, generating plant, efficiency equipment, telecommunication equipment, spare parts specialized vehicles and intermediate goods and equipment
(3) OGDC	Petroleum	Technical assistance, well services, casing

		drill pipe, production and processing equipment, chemicals, consumables and intermediate goods and equipment
(4) SNGPL	Gas	Technical assistance, transmission and distribution equipment and materials, efficiency equipment, telecommunication and telecontrol equipment and intermediate goods and equipment
(5) SSGC	Gas	Technical Assistance, distribution equipment and materials, efficiency equipment telecommunication and telecontrol equipment and intermediate goods and equipment
(6) PMDC	Coal	Technical assistance and related goods and equipment
(7) MWP, MPNR, EWPD, assistance ENERCON, DOFMAC and EUAD	Energy/ Energy Conser- vation/Environ- ment	Technical and related goods and equipment

SCHEDULE 2

Date Payment Due (dollars)*	Payment of Principal (expressed in dollars)
March 1, 1995	4,590,000
September 1, 1995	4,765,000
March 1, 1996	4,945,000
September 1, 1996	5,135,000
March 1, 1997	5,335,000
September 1, 1997	5,535,000
March 1, 1998	5,750,000
September 1, 1998	5,970,000
March 1, 1999	6,195,000
September 1, 1999	6,435,000
March 1, 2000	6,680,000
September 1, 2000	6,935,000
March 1, 2001	7,200,000
September 1, 2001	7,475,000
March 1, 2002	7,760,000
September 1, 2002	8,060,000
March 1, 2003	8,365,000
September 1, 2003	8,685,000
March 1, 2004	9,020,000
September 1, 2004	9,365,000
March 1, 2005	9,725,000
September 1, 2005	10,095,000
March 1, 2006	10,480,000
September 1, 2006	10,880,000
March 1, 2007	11,300,000
September 1, 2007	11,730,000
March 1, 2008	12,180,000

September 1, 2008	12,645,000
March 1, 2009	13,130,000
September 1, 2009	13,635,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 3

Procurement

Section I. Procurement of Goods in Support of the Adjustment Program

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified

in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Form, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of less than \$5,000,000 each shall be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. With respect to each contract referred to in paragraph 1 of this Section, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Section, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 of this Section, where payments under a contract are to be made out of the proceeds of the Adjustment Program Special Account, the copies of such contract or the documentation and the information to be furnished to the Bank pursuant to the provisions of paragraph 3 or paragraph 4 of this Section, as the case may be, shall be furnished to the Bank as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

6. The provisions of the preceding paragraphs 3, 4 and 5 shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on

the basis of statements of expenditure.

Section II. Procurement of Goods for the Investment Program

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 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 Pakistan 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. Spare parts estimated to cost up to an aggregate amount not to exceed the equivalent of \$4,000,000 and specialized well services to cost up to an aggregate amount not to exceed the equivalent of \$15,000,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from at least 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).

2. Proprietary items and estimated to cost up to an aggregate amount not to exceed the equivalent of \$4,000,000 may be procured by direct contracting in accordance with the procedures described in paragraph 3.5 of the Guidelines.

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 \$1,500,000 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 Investment Program 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 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 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section III. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the measures referred to in Sections 3.05, 3.09 and 3.16 of this Agreement, the organizational and/or financial restructuring of KESC and OGDC referred to in Sections 3.20 and 3.21 (a) of this Agreement, and the study referred to in paragraph 1 of Schedule 4 to this Agreement, the Borrower shall employ coal development, forestry, gas pricing and demand management, refinery pricing, financial and management, and hydropower consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with the 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.

2. Except as the Bank shall otherwise agree, the Borrower shall employ the consultants referred to in paragraph 1 of this Section as follows:

(a) for the purposes of the financial restructuring of OGDC referred to in paragraph (a) of Section 3.21 of this Agreement, by January 31, 1990; and

(b) for the purposes of the studies or review referred to in paragraphs (a), (b), (c), (d), (e) and (f) of Section 3.05 and in Section 3.16 of this Agreement, for the purposes of development of the data base referred to in Section 3.09 of this Agreement, and for the purposes of the organizational and financial restructuring of KESC referred to in Section 3.20 of this Agreement, by March 31, 1990.

SCHEDULE 4

Actions Referred to in Paragraphs 5 (b) and 6 (b) of Schedule 1 to this Agreement

1. Appointment of consultants pursuant to paragraph 1 of Section III of Schedule 3 to this Agreement to carry out a feasibility study for the proposed Basha dam hydropower project.

2. Increase in electricity tariffs, effective July 1, 1990, so as to satisfy WAPDA's funding requirements for FY91 in accordance with Section 4.02 of the Program Agreement.

3. Increase in the development surcharge on the sale of gas supplied by producers directly to the power subsector pursuant to Section 3.13 (b) of this Agreement so that the price of such gas, including such development surcharge, is at least 40% of the domestic price of fuel oil, less discounts for the gas transmission investments made by the power sub sector.

4. Establishment of the financial performance criteria

for OGDC referred to in Section 4.04 of the Program Agreement.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Programs 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

(b) the term "Authorized Allocation" means, in respect of the Adjustment Program, an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited into the Adjustment Program Special Account, in respect of the part of the Investment Program for which the Borrower is responsible, an amount equivalent to \$250,000 to be withdrawn from the Loan Account and deposited into the Borrower's Investment Program Special Account, in respect of the part of the Investment Program for which WAPDA is responsible, an amount equivalent to \$2,000,000 to be withdrawn from the Loan Account and deposited into the WAPDA Special Account, in respect of the part of the Investment Program for which KESC is responsible, an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the KESC Special Account, in respect of the part of the Investment Program for which OGDC is responsible, an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited into the OGDC Special Account, in respect of the part of the Investment Program for which SSGC is responsible, an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the SSGC Special Account, and in respect of the part of the Investment Program for which SNGPL is responsible, an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the SNGPL Special Account, and in respect of the part of the Investment Program for which PMDC is responsible, an amount equivalent to \$250,000 to be withdrawn from the Loan Account and deposited into the PMDC Special Accounts all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the relevant Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

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

- (b) (i) For replenishment of such Special Account, the Borrower or the concerned Energy Sector Entity, as the case may be, shall furnish to the Bank requests for deposits into such Special Account at such intervals as the Bank shall specify.
- (ii) Prior to or at the time of each such request, the Borrower or the concerned Energy Sector Entity, as the case may be, 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 or the concerned Energy Sector Entity, as the case may be, withdraw from the Loan Account and deposit into such Special Account such amount as the Borrower or the concerned Energy Sector Entity, as the case may be, shall have requested and as shall have been shown by said documents and other evidence to have been made out of such Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the relevant eligible Category, 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 or the concerned Energy Sector Entity, as the case may be, out of a Special Account, the Borrower or the concerned Energy Sector Entity, as the case may be, 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 a Special Accounts:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower or the concerned Energy Sector Entity, as the case may be, 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 relevant eligible Category for the Adjustment Program or, as the case may be, for a part of the Investment Program less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Adjustment Program or, as the case may be, such part of the Investment Program, shall equal the equivalent of twice the amount of the relevant Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the relevant eligible Category for the Adjustment Program or, as the case may be, such part of the Investment Program shall follow such procedures as the Bank shall specify by notice to the Borrower or the concerned Energy Sector Entity, as the case may be. 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 such 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Bank, the Borrower or the concerned Energy Sector Entity, as the case may be, shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into such 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 such Special Account shall be made until the Borrower or the concerned Energy Sector Entity, as the case may be, 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 a Special Account will not be required to cover further payments for eligible expenditures, the Borrower or the concerned Energy Sector Entity, as the case may be, shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower or the concerned Energy Sector Entity, as the case may be, may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in a 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.

