

LOAN NUMBER 3165 PH

Loan Agreement

(Energy Sector Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 16, 1990

LOAN NUMBER 3165 PH

LOAN AGREEMENT

AGREEMENT, dated March 16, 1990, between the
REPUBLIC OF THE PHILIPPINES (the Borrower) and
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank).

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

(B) "Part A" of the Project will be carried out by
the Philippine National Oil Company (PNOC), PNOC Energy
Development Corporation (PNOC-EDC) and PETRON Corporation
(PETRON), the Bank has agreed to make a loan (the PNOC
Loan) under a Loan Agreement of even date herewith
between the Bank and PNOC (PNOC Loan Agreement) under the
terms and conditions therein set forth;

(C) "Part B" of the Project will be carried out by
the National Power Corporation (NPC), with the assistance
of the Bank and, as part of such assistance, the Bank has
agreed to make a loan (the NPC Loan) under a Loan
Agreement of even date herewith between the Bank and NPC
(NPC Loan Agreement) under the terms and conditions
therein set forth; and

(D) NPC intends to contract from Export-Import Bank
of Japan (EXIMBANK) a loan (the EXIMBANK Loan) in an
amount equivalent to \$150,000,000 to assist in financing
Part B of the Project on the terms and conditions set
forth in an agreement (the EXIMBANK Loan Agreement) to be

entered into between NPC and EXIMBANK;

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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "NPC" means the National Power Corporation, a state owned company duly authorized and operating under the laws of the Republic of the Philippines;

(c) "PNOC" means the Philippine National Oil Company, a state-owned company duly authorized and operating under the laws of the Republic of the Philippines;

(d) "PNOC-EDC" means the PNOC Energy Development Corporation, a subsidiary of PNOC;

(e) "PETRON" means PETRON Corporation, a subsidiary of PNOC;

(f) "NEA" means the National Electrification Administration of the Borrower;

(g) "OEA" means the Office of Energy Affairs of the Borrower;

(h) "ERB" means the Energy Regulatory Board of the Borrower;

(i) "DENR" means the Department of Environment and National Resources of the Borrower;

(j) "EMS" means the Environmental Management Bureau of DENR; and

(k) "ECC" means the Energy Coordinating Council of the Borrower.

ARTICLE II

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 forty million dollars (\$40,000,000) as 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 Part C of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Part C of the Project, open and maintain in dollars a special account in a bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 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 ($\frac{3}{4}$ of %) per annum on the principal amount of the Loan not withdrawn from 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 ($\frac{1}{2}$ 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 of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after

July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower 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."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

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

ARTICLE III

Execution of the Project

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

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

Section 3.03. For monitoring and coordination of all investment activities under the Project, the Borrower shall appoint a Project Implementation Committee with memberships, powers and functions acceptable to the Bank.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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, 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 audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure

submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall make an equity contribution to NEA in an amount equivalent to \$22,200,000 in accordance with a schedule agreed with the Bank.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause NEA:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practices;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) all conditions precedent to the effectiveness of the PNOG Loan Agreement between the Bank and PNOG of even date herewith (other than those related to the effectiveness of this Agreement) have been fulfilled;

(b) all conditions precedent to the effectiveness of the NPC Loan Agreement between the Bank and NPC of even date herewith (other than those related to the effectiveness of this Agreement) have been fulfilled; and

(c) the requirement of Section 3.03. of this Agreement has been met.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretary of Finance
Department of Finance
Manila
Republic of the Philippines

Cable address:	Telex:
SECFIN Manila	40268 CB-CONF

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 Washington, D.C.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

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.

THE REPUBLIC OF THE PHILIPPINES

By /s/ Emmanuel Pelaez
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shinji Asanuma
Acting Regional Vice President
Asia

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) Goods and related equipment installation	30,000,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 70% of local ex- penditures for other items pro- cured locally
(2) Technical assistance and training	6,000,000	100%
(3) Unallocated	4,000,000	
TOTAL	40,000,000	

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to orient the development strategy for the Philippines energy sector aimed at minimizing the cost of energy supply. The components of this strategy are: (a) a least-cost investment program which has been agreed upon by all participating agencies; (b) development of a sector-wide capability to plan and coordinate policy and project implementation in the energy sector; (c) encouraging private sector participation through joint-ventures, build-operate-and-transfer schemes, and other approaches; (d) consolidation of regulatory activities into an integrated system for monitoring the quality of service and consumer prices of petroleum, coal and electricity; (e) implementation of long-run marginal cost pricing for electricity; (f) development of technical capabilities to assess, manage and monitor the environmental impact of energy projects; and (g) implementation of measures to improve operational efficiency of the power sector by reducing electricity losses and rehabilitating aging plants.

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

Part A: PNOC, PNOC-EDC and PETRON

(1) Geothermal investments program which includes: completion of delineation drilling on prospective sites in Luzon and the Visayas; engineering, procurement, fabrication, installation and commissioning of steam gathering system at various sites for about 380 MW; drilling of additional production and reinjection wells; and technical assistance for geothermal reservoir assessment and engineering.

(2) Debottlenecking of processing refinery capability which includes: upgrading of facilities producing liquified petroleum gas (LPG), including a new LPG Merox unit, an additional Thermal Catalytic Cracker gas compressor and debottlenecking of fractionating absorber; and an additional diesel desulfurizer, including a new gas oil hydrofiner and additional rundown coolers.

(3) Institutional development of PNOC by strengthening its capabilities in system planning and project monitoring and management.

Part B: NPC

(1) Expansion of power generation capacity, including the completion and construction of: (i) 300 MW coal-fired Calaca 11 unit; (ii) 700 MW of combustion turbine (open cycle) capacity in Luzon, 115 MW in Visayas and 150 MW in Mindanao; (iii) 110 MW geothermal unit at Bacon Manito; (iv) modular geothermal units of twelve 20 MW capacity in Luzon and four 20 MW in Visayas.

(2) Rehabilitation of generation plants including four generating units at the Sucat thermal power station and diesel power plants in the islands of Mindanao, Cebu, Negros, Panay and Bohol.

(3) Expansion and rehabilitation of transmission system including: (i) 500 kV, 82 km, San Jose-Kalayaan line; (ii) about 430 km of 230 kV lines; (iii) about 1,500 km of 115-138 kV lines; (iv) about 1,800 km of 69 kV lines; and (v) associated substations of about 4,000 MVA of transformer capacity and ancillary equipment.

(4) Institutional development of NPC by strengthening its training program for the efficient operation and maintenance of the diverse types of power stations.

Part C: The Republic of the Philippines

(1) National Electrification Administration (NEA) and Rural Electrification Cooperatives (REC's)

- (i) improving NEA's institutional capabilities through the provision of computers, professional and office equipment, communication equipment, vehicles and warehouse equipment;
- (ii) improving NEA's functional capacity through the establishment and provision

of operational and maintenance equipment for its Regional field operation offices and zonal repair and maintenance facilities;

- (iii) upgrading and rehabilitation of distribution system at about 11 RECs;
- (iv) installing additional substations at about 8 RECs; and
- (v) training and technical assistance for NEA and RECs staff.

(2) Office of Energy Affairs (OEA):

(a) The carrying out of the following studies and training for OEA staff: (i) cost structures and transfer pricing in the petroleum industry; (ii) the non-power application of geothermal power plant effluents, hot water, etc.; (iii) the environmental impacts of accelerated geothermal energy development; (iv) development of a fuel contingency plan for a possible oil supply disruption; and (v) the feasibility of large-scale development of non-conventional energy resources.

(b) Institutional strengthening of OEA through provision of technical assistance, training, equipment, building expansion and supplies.

(3) Energy Regulatory Board (ERB):

The strengthening of ERB's monitoring and analysis capabilities through the implementation of a six-part program of institutional development which will include:

- (i) staff training;
- (ii) improvement of management information system and organizational structures;
- (iii) training in LRMC pricing methodology;
- (iv) petroleum product testing;
- (v) meter testing; and
- (vi) ERB's information system.

(4) Environmental Management Bureau (EMB)

- (i) Strengthening of EMB's operational capabilities;
- (ii) establishment of baseline sampling stations;
- (iii) strengthening of regional offices; and
- (iv) technical assistance.

* * *

The Project is expected to be completed by December

31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in dollars)
October 15, 1995	730,000
April 15, 1996	755,000
October 15, 1996	785,000
April 15, 1997	815,000
October 15, 1997	850,000
April 15, 1998	880,000
October 15, 1998	915,000
April 15, 1999	950,000
October 15, 1999	990,000
April 15, 2000	1,025,000
October 15, 2000	1,065,000
April 15, 2001	1,105,000
October 15, 2001	1,150,000
April 15, 2002	1,195,000
October 15, 2002	1,240,000
April 15, 2003	1,290,000
October 15, 2003	1,340,000
April 15, 2004	1,390,000
October 15, 2004	1,445,000
April 15, 2005	1,500,000
October 15, 2005	1,560,000
April 15, 2006	1,620,000
October 15, 2006	1,680,000
April 15, 2007	1,745,000
October 15, 2007	1,815,000
April 15, 2008	1,885,000
October 15, 2008	1,955,000
April 15, 2009	2,030,000
October 15, 2009	2,110,000
April 15, 2010	2,185,000

* 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 the Republic of the Philippines 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

Packages for equipment, materials and services may be procured under contracts awarded on the basis of either (a) local competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank provided that said contracts shall not exceed \$100,000 per contract and up to an amount of \$6,000,000 in the aggregate, or (b) through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof), said contracts shall not exceed \$8,000,000 in the aggregate, or (c) on the basis of direct contracting for proprietary equipment not exceeding an amount of \$1,000,000 in the aggregate.

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 \$1,000,000 or more, the procedures set forth in paragraph 2 and 4 of Appendix 1 of 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, 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.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ consultants, in order: (i) to carry out studies and train OEA staff; (ii) to assist ERB in its study of its overall organizational structure and improving its management information system; and (iii) to assist EMB in setting up a program of environmental management, data collection and analysis, and quality assurance, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the Categories 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 Part (C) of 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 \$5,000,000 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 for Part C of the Project, 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 Part C of the Project, 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 for Part C of the Project 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.

