

CONFORMED COPY

LOAN NUMBER 4020 MD

Loan Agreement

(Energy Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 23, 1996

LOAN NUMBER 4020 MD

LOAN AGREEMENT

AGREEMENT, dated July 23, 1996, between REPUBLIC OF MOLDOVA (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) Parts A, D (i) and E (i) of the Project will be carried out by Moldenergo (as such term is defined in Section 1.02 (c) of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Moldenergo a portion of the proceeds of the Loan as provided in this Agreement;

(C) Parts B, C, D (ii) and E (ii) of the Project will be carried out by Moldovagas (as such term is defined in Section 1.02 (f) of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Moldovagas a portion of the proceeds of the Loan as provided in this Agreement;

(D) The Borrower intends to contract from other donor sources a grant or grants (the Additional Grants) in an amount equivalent to about \$2 million to assist in financing Parts D and E of the Project; 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 and in the Project Agreements of even date herewith between the Bank and Moldenergo and the Bank and Moldovagas;

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 for Single Currency Loans" of the Bank, dated May 30, 1995 (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) "DOE" means the Borrower's Department of Energy and Energy Resources and any successor thereto;

(b) "Financial Action Plan" means the Borrower's plan for actions for the financial rehabilitation of the energy sector agreed between the Borrower and the Bank and referred to in Section 3.02 of this Agreement and Section 2.01 (b) of the Moldenergo Project Agreement and Section 2.01(b) of the Moldovagas Project Agreement;

(c) "Moldenergo" means the state-owned enterprise "Moldenergo" established by the Borrower pursuant to Decree No. 201 dated June 15, 1994, with its Charter (the Moldenergo Charter) re-registered with the Borrower's Ministry of Justice on July 20, 1993;

(d) "Moldenergo Project Agreement" means the agreement between the Bank and Moldenergo of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(e) "Moldenergo Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Moldenergo pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement, and the term "Moldenergo Subsidiary Loan" means the loan provided to Moldenergo under the Moldenergo Subsidiary Loan Agreement;

(f) "Moldovagas" means the state-owned enterprise "Moldovagas" established by the Borrower pursuant to Decree No. 126 dated November 24, 1995, with its Charter (the Moldovagas Charter) re-registered with the Borrower's Ministry of Justice on January 19, 1996;

(g) "Moldovagas Project Agreement" means the agreement between the Bank and Moldovagas of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(h) "Moldovagas Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Moldovagas pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement, and the term "Moldovagas Subsidiary Loan" means the loan provided to Moldovagas under the Moldovagas Subsidiary Loan Agreement;

(i) "PMU" means the Project Management Unit established within the DOE and referred to in Section 3.01(a)(ii) of this Agreement;

(j) "Project Agreements" means, collectively, the Moldenergo Project Agreement and Moldovagas Project Agreement; and "Project

Agreement" means each and any one of such agreements;

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

(l) "Subsidiary Loan Agreements" means, collectively, the Moldenergo Subsidiary Loan Agreement and the Moldovagas Subsidiary Loan Agreement; and "Subsidiary Loans" means the Moldenergo Subsidiary Loan and the Moldovagas Subsidiary Loan.

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, an amount equal to ten million Dollars (\$10,000,000).

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 acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000 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 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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars currency for value the first day of such Interest Period (or, in the case of the Initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period:
 - (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such

Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable 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.

Section 2.08. The DOE, or any other person designated by the DOE, 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.

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:

- (i) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause Moldenergo and Moldovagas to perform all the obligations set forth in the Moldenergo Project Agreement and the Moldovagas Project Agreement, respectively, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Moldenergo and Moldovagas to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and
- (ii) maintain until the completion of the Project the PMU responsible for overall Project oversight, coordination of procurement activities under the Project and preparation of quarterly procurement status reports for submission to the Bank, with staff that shall include, except as the Borrower and the Bank shall otherwise agree, a project manager and two deputy project managers with qualifications, experience and terms of reference acceptable to the Bank.

(b) The Borrower shall relend a portion of the proceeds of the Loan allocated from time to time to: (i) Categories 1(a), 1(d) and 2 of Schedule 1 to this Agreement to Moldenergo under a subsidiary loan

agreement to be entered into between the Borrower and Moldenergo (the Moldenergo Subsidiary Loan Agreement); and (ii) Categories 1(b), 1(c), 1(d) and 2 of Schedule 1 to this Agreement to Moldovagas under a subsidiary loan agreement to be entered into between the Borrower and Moldovagas (the Moldovagas Subsidiary Loan Agreement).

(c) Each Subsidiary Loan Agreement shall contain terms and conditions which shall have been approved by the Bank and which shall include the following principal terms and conditions: (i) the Subsidiary Loan to Moldenergo and Moldovagas, respectively, shall be denominated in Dollars and shall be repayable in twenty years, including a five-year grace period; (ii) Moldenergo and Moldovagas shall pay interest on the principal amount of the Subsidiary Loan, at a rate per annum equal to the rate specified in Section 2.05 of this Agreement, plus a margin not exceeding three-quarters of one percent ($\frac{3}{4}$ of 1%); and (iii) the principal of the Subsidiary Loan repayable by Moldenergo and Moldovagas, respectively, shall be equivalent, in Dollars, to the value of currency or currencies withdrawn from the Loan Account on account of expenditures for Moldenergo's and Moldovagas' respective Parts of the Project, such equivalent to be determined as of the date or respective dates of repayment.

(d) The Borrower shall exercise its rights under each Subsidiary Loan Agreement 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 any Subsidiary Loan Agreement or any provision thereof.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 and, except as the Borrower and the Bank shall otherwise agree, the Borrower shall, and shall cause Moldenergo and Moldovagas to, take all action necessary to carry out the Financial Action Plan in a timely manner, and achieve progress, satisfactory to the Bank, in carrying out the Financial Action Plan.

(b) The Borrower shall: (i) on or about March 15, 1997, review with the Bank the progress achieved by the Borrower, Moldenergo and Moldovagas in carrying out the Financial Action Plan, and shall set agreed targets for implementation of the steps set out in the Financial Action Plan; (ii) take, and shall cause Moldenergo and Moldovagas to take, all necessary action to carry out the Financial Action Plan in accordance with the timetable agreed in sub-paragraph (i) of this Section; and (iii) annually thereafter, review with the Bank the progress achieved in implementing the Financial Action Plan in accordance with the agreed timetable.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods 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.

Section 3.04. The Borrower shall:

(a) maintain and cause Moldenergo and Moldovagas to maintain, policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare and cause Moldenergo and Moldovagas to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 15, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank and cause Moldenergo and Moldovagas to review with the Bank, by October 31, 1997, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.06. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by Moldenergo and Moldovagas pursuant to Section 2.03 of the respective Project Agreements.

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 practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) 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 sound accounting practices, 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; and
- (iii) enable the Bank's representatives to examine such records.

(c) 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 (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the 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.

Section 4.02. (a) The Borrower and the Bank shall, from time to time, at the request of either party, exchange views with regard to the Borrower's gas and electricity pricing policies and its plans in respect of the overall development of the energy sector.

(b) The Borrower agrees, as long as it exercises control over the setting of prices of energy companies, including Moldenergo and Moldovagas, to establish prices for gas, heat and electricity sold by such companies which would allow Moldenergo and Moldovagas to comply with the Financial Action Plan.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Moldenergo or Moldovagas shall have failed to perform any of its obligations under its respective Project Agreement or Subsidiary Loan Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Moldenergo or Moldovagas will be able to perform its obligations under its respective Project Agreement or Subsidiary Loan Agreement.

(c) The Moldenergo Charter or Moldovagas Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Moldenergo or Moldovagas to perform any of its obligations under its respective Project Agreement.

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

(e) The Additional Grant shall have failed to become effective by the date six (6) months after the date of effectiveness of this Loan Agreement, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

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

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan 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, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the agreement referred to in paragraph f(i)(A) of this Section; and (B) adequate

funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (c), (d), (e) (subject to the proviso thereto), and (f) (subject to the proviso of subparagraph (f) (ii) thereof), of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Subsidiary Loan Agreements have been executed on behalf of the Borrower and Moldovagas, and the Borrower and Moldenergo, respectively.

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

(a) that the Project Agreements have been duly authorized or ratified by Moldenergo and Moldovagas, respectively, and are legally binding upon Moldenergo and Moldovagas in accordance with their terms; and

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the parties thereto and are legally binding upon the said parties in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
277005 Chisinau
Cosmonaut Street, 7
Republic of Moldova

Telex:

(3732) 228610

For the Bank:

International Bank for

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

REPUBLIC OF MOLDOVA

By /s/ Nicolae Tau

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil G. Kavalsky

Acting Regional Vice President
Europe and Central 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 Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) Goods under Part A of the Project	1,000,000	
(b) Goods under Part B of the Project	800,000	
(c) Goods under Part C (1) of the Project	6,000,000	
(d) Goods under Part D of the Project	500,000	
(2) Consultants' services and training under Parts D and E of the Project	200,000	100%
(3) Unallocated	1,500,000	
TOTAL	10,000,000 =====	

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:

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding \$1,000,000, may be made on account of payments made for expenditures before that date but after March 31, 1996; and

(b) payments made for expenditures under Category 1(c) until the Borrower has presented to the Bank a program satisfactory to the Bank for installation of metering in residential buildings, improvement of metering for industrial and commercial customers and for the introduction of universal metering at international standards.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent; and (b) consultants' services under contracts costing less than: (i) \$100,000 equivalent for firms; and (ii) \$50,000 equivalent for individuals under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) strengthen the financial management and accounting systems of Moldovagas and Moldenergo in order to place gas and electricity sales on a commercial basis and establish Moldovagas and Moldenergo as financially viable energy enterprises, and (ii) improve the measurement of consumed energy and the efficiency of electricity production in order to reduce losses and waste of costly imported fuels.

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

Part A: Overhaul of the Chisinau No. 2 Combined Heat and Power Plant of Moldenergo (Chisinau 2)

Reduce fuel consumption and restore operating efficiency of Chisinau 2 through repair of air preheaters and water demineralizing system, replacement of boiler tubing, maintenance of the circulating and main feeding pumps, fitting and piping for the district heating system and miscellaneous parts of the plant and condenser cleaning.

Part B: Repair of Leaky Gas Distribution Points

Reduce gas leakage, operating inefficiencies of Moldovagas gas distribution points and unscheduled outages through the replacement of obsolete pressure transmitters and indicators, installation of safety devices and replacing leaking distribution lines in at least 180 points (consumer stations) where natural gas enters the domestic distribution network.

Part C: Gas Meter Installation

Reduce losses, improving accuracy of existing meters and

commencing the introduction of universal metering through (i) installing about 30,000 household and about 7,000 apartment riser meters for consumers who currently do not have meters and (ii) replacing existing meters with more accurate metering system for about 2,100 commercial consumers and about 60 large industrial customers.

Part D: Upgrade of Accounting and Billing Systems and Financial Management at Moldenergo and Moldovagas

Improve internal collection and handling of operational data and billing and financial management at: (i) Moldenergo; and (ii) Moldovagas through provision of computer-system upgrades, technical assistance and training in administrative procedures.

Part E: Project Management and Implementation Services

Provision of technical assistance to (i) Moldenergo and (ii) Moldovagas in project management and procurement procedures.

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

SCHEDULE 3

Amortization Schedule

Payment Due Date	Payment of Principle (Expressed in Dollars)*
October 15, 2001	215,000
April 15, 2002	220,000
October 15, 2002	230,000
April 15, 2003	235,000
October 15, 2003	240,000
April 15, 2004	250,000
October 15, 2004	255,000
April 15, 2005	260,000
October 15, 2005	270,000
April 15, 2006	275,000
October 15, 2006	285,000
April 15, 2007	295,000
October 15, 2007	300,000
April 15, 2008	310,000
October 15, 2008	320,000
April 15, 2009	330,000
October 15, 2009	340,000
April 15, 2010	345,000
October 15, 2010	355,000
April 15, 2011	365,000
October 15, 2011	380,000
April 15, 2012	390,000
October 15, 2012	400,000
April 15, 2013	410,000
October 15, 2013	425,000
April 15, 2014	435,000
October 15, 2014	445,000
April 15, 2015	460,000
October 15, 2015	475,000
April 15, 2016	485,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 as modified in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

(a) International Shopping

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Direct Contracting

Goods under Part A of the Project which must be purchased from the original supplier to be compatible with existing equipment and costing \$100,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for goods estimated to cost the equivalent of \$200,000 or more; and (ii) each contract awarded in accordance with paragraph (b) of Part C of Section I of this Schedule 4, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the

Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

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 \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,000,000.

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

3. After the 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 into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower

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

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

- (d) 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 with respect to 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 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.

