

CONFORMED COPY

LOAN NUMBER 4014 IN

Loan Agreement

(Orissa Power Sector Restructuring Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 10, 1996

LOAN NUMBER 4014 IN

LOAN AGREEMENT

AGREEMENT, dated July 10, 1996, between INDIA, Acting by its President (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) the Project will be carried out in the State of Orissa with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the State of Orissa the proceeds of the Loan as provided in this Agreement;

(C) the Bank has received a letter dated April 4, 1996 from the State of Orissa (Orissa) describing a program of objectives, policies and actions to reform the power sector in Orissa (hereinafter the Power Sector Reform Program) and declaring Orissa's commitment to carry out such Program; 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, in the Orissa Agreement of even date herewith between the Bank and the State of Orissa, and the Project Agreement of even date herewith among the Bank, Orissa Hydro Power Corporation Limited and Grid Corporation of Orissa Limited;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

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

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

(a) "Act" means the Orissa Electricity Reform Act, 1995 (Orissa Act 2 of 1996) providing, inter alia, for restructuring of the electricity industry, rationalization of the generation, transmission, distribution and supply of electricity, private sector participation in the electricity industry, and the adoption of measures for the development and management of the electricity industry, as the provisions of such Act may be amended from time to time;

(b) "Corporatization Agreements" means collectively the agreements between Orissa, and GRIDCO and OHPC dated March 30, 1996 and March 27, 1996, respectively, setting forth the obligations of Orissa, GRIDCO and OHPC in respect of the operation and management of the power sector in Orissa;

(c) "Distribution Areas" means collectively the four areas in GRIDCO's distribution system comprising: (1) the Central Area (Bhubaneswar, Dhenkanal and Cuttack); (2) the North East Area (Jajpur and Balasore); (3) the North West Area (Bolangir, Burla and Rourkela); and (4) the Southern Area (Berhampur and Jeypore) and "Distribution Area" means any one of such areas individually;

(d) "Electricity Act" means the Electricity (Supply) Act, 1948 of the Borrower, as amended from time to time;

(e) "End-Users" means electricity consumers in Orissa who are willing to participate in a program of efficient use of electricity;

(f) "Fiscal Year" and "FY" means the Fiscal Year of the Borrower, Orissa, GRIDCO or OHPC beginning on April 1 of a calendar year and ending on March 31 of the following calendar year;

- (g) "GRIDCO" means the Grid Corporation of Orissa Limited,

a company incorporated under the Companies Act, 1956 of the Borrower and constituted pursuant to the provisions of the Act with the main objectives of engaging in the business of procurement, transmission, and bulk supply of electric energy;

(h) "Investment Plan" means the plan dated September 1995 setting forth Orissa's ten-year investment plan for the power sector as such plan may be updated from time to time;

(i) "OHPC" means the Orissa Hydro Power Corporation Limited, a company registered under the Companies Act, 1956 of the Borrower;

(j) "Orissa" means the State of Orissa, a State of India, and includes any successor thereto;

(k) "Orissa Agreement" means the agreement between the Bank and Orissa 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 Orissa Agreement;

(l) "Private Distribution Company" means a company incorporated under the Companies Act, 1956 of the Borrower as amended, that has been granted a license by the Regulatory Commission for supplying electricity and that has acquired the distribution undertaking of GRIDCO in a Distribution Area either through a purchase agreement, or a lease agreement acceptable to the Bank;

(m) "Project Agreement" means the agreement among the Bank, GRIDCO and OHPC 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;

(n) "Regulatory Commission" means the Orissa Electricity Regulatory Commission to be established by Orissa under the Act as referred to in paragraph 3 (b) (B) of Schedule 1 to this Agreement;

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

(p) "Subsidiary Loan Agreements" means the agreements to be entered into between Orissa, and GRIDCO, OHPC, Private Distributors and End-Users, pursuant to Section 2.02 of the Orissa Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements.

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 three hundred fifty million dollars (\$350,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause Orissa to perform in accordance with the provisions of the Orissa Agreement all the obligations of Orissa, therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Orissa, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Loan available to Orissa in accordance with the Borrower's standard arrangements for developmental assistance to the States of India.

(c) The Borrower shall release to Orissa funds equivalent to the amounts withdrawn by the Borrower from the Loan Account including those deposited in the Special Account, immediately after such withdrawal.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. 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) shall be carried out by GRIDCO and OHPC, as the case may be, pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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, including 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; 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.

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) Orissa shall have failed to perform any of its obligations under the Orissa Agreement.

(b) GRIDCO or OHPC shall have failed to perform any of their respective obligations under the Project Agreement.

(c) 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 Orissa or GRIDCO or OHPC will be able to perform their respective obligations under the Orissa and Project Agreements.

(d) Orissa or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Regulatory Commission or of GRIDCO or of OHPC or for the suspension of operations of any of them.

(e) The Memorandum or Articles of Association of GRIDCO or OHPC, or the Act, or any Corporatization Agreement, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of GRIDCO or OHPC or the Regulatory Commission, as the case may be, or the ability of GRIDCO, or OHPC or Orissa, as the case may be, to carry out the Project or to perform their respective obligations under the Project Agreement or the Orissa Agreement.

(f) GRIDCO shall have failed to obtain a license under the Act from the Regulatory Commission to replace the provisional license issued by Orissa, or obtained a license under terms and conditions which either at inception or through subsequent alteration, variation, modification or amendment materially and adversely affects the ability of GRIDCO to carry out the Project or to perform its obligations under the Project Agreement.

(g) Orissa shall have taken any action which has the effect of altering, varying, modifying, adding or otherwise changing the terms upon which any property, interest on property, rights, liabilities and personnel have been transferred to GRIDCO and OHPC under the transfer scheme prepared pursuant to the Act so as to affect materially and adversely the operations or the financial condition of GRIDCO or OHPC, or their ability to carry out the Project or to perform their respective obligations under the Project Agreement.

(h) An event shall have occurred which shall make it improbable that Power Sector Reform Program or a significant part thereof will be carried out.

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

(a) any event specified in paragraphs (a) or (b) of Section 5.01 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) any event specified in paragraphs (d), (e), (f) or (g) 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 Agreement has been executed on behalf of Orissa and GRIDCO.

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 Orissa Agreement has been duly authorized or ratified by Orissa, and is legally binding upon Orissa in accordance with its terms;

(b) that the Project Agreement has been duly authorized or ratified by GRIDCO and OHPC, and is legally binding upon GRIDCO and OHPC in accordance with its terms; and

(c) that the Subsidiary Loan Agreement has been duly authorized or ratified by Orissa and GRIDCO, and is legally binding upon Orissa and GRIDCO, in accordance with its terms.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry 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 to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable address:

Telex:

ECOFAIRS
New Delhi

953-31-66175 FINE IN
953-31-61430 FINE IN

For the Bank:

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

Cable address: Telex:
 INTBAFRAD 197688 (TRT),
 Washington, D.C. 248423 (RCA),
 64145 (WUI) or
 82987 (FTCC)

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

INDIA

By /s/ N. Valluri Authorized Representative

INTERNATIONAL BANK FOR
 RECONSTRUCTION AND DEVELOPMENT

By /s/ Heinz Vergin Acting Regional Vice President
 South 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) Civil works, including erection and installation		70%
(a) under Part A of the Project	60,000,000	
(b) other	10,000,000	
(2) Equipment and materials:		100% of foreign expenditures, 100% local expenditures
(a) under Part A of the Project	180,000,000	(ex-factory cost) and 80% of local expen- ditures for other items procured locally
(b) other	55,000,000	
(3) Consultants' services and training	10,000,000	100%
(4) Unallocated	35,000,000	

TOTAL	350,000,000 =====	

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 the equivalent of \$7,000,000, may be made on account of payments made for expenditures before that date but after November 1, 1994; and

(b) expenditures under Categories (1) (a) and (2) (a) until:

- A. GRIDCO has entered into a lease agreement or a management contract satisfactory to the Bank, in respect of its distribution undertaking in at least one Distribution Area; and
- B. the Regulatory Commission has been formally established in a manner satisfactory to the Bank.

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 and works under contracts not exceeding \$500,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower; and (b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist Orissa in: (a) implementing a program of regulatory, institutional and tariff reforms in its power sector; (b) supporting the institutional development of the Orissa Electricity Regulatory Commission, the Orissa Hydropower Corporation and the Grid Corporation of Orissa; (c) reinforcing and rehabilitating its power system and its demand side management to make power supply and consumption more efficient; (d) upgrading the environmental performance of the power sector, and strengthening the environmental management capabilities of the power utilities.

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: Rehabilitation of Transmission and Distribution and Development of Private Power Distribution

1. Carrying out a program to rehabilitate Orissa's power transmission and distribution system included in the FY1996/97-FY2002/03 time-slice of the Investment Plan.

2. Implementing a program for the reduction of system losses in Orissa's power sector.

Part B: Demand-Side Management (DSM)

1. Acquisition and installation of electricity meters for generating stations, grid substations, other system requirements and consumers.

2. Promoting efficient use of electricity, through, inter alia, formulating, implementing and operationalizing load management and

conservation strategies.

Part C: Institutional Development, Training and Technical Assistance

1. Provision of technical assistance to assist Orissa in implementing the Power Sector Reform Program and to assist in the institutional development of the Regulatory Commission, including training of the staff of the Regulatory Commission.

2. Provision of technical assistance and training to GRIDCO and OHPC for implementing the Power Sector Reform Program, staff rationalization, institutional development, including improving environmental management capabilities and implementing the Project.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
February 1, 2002	6,790,000
August 1, 2002	7,030,000
February 1, 2003	7,275,000
August 1, 2003	7,525,000
February 1, 2004	7,790,000
August 1, 2004	8,060,000
February 1, 2005	8,345,000
August 1, 2005	8,635,000
February 1, 2006	8,935,000
August 1, 2006	9,250,000
February 1, 2007	9,570,000
August 1, 2007	9,905,000
February 1, 2008	10,250,000
August 1, 2008	10,610,000
February 1, 2009	10,980,000
August 1, 2009	11,360,000
February 1, 2010	11,760,000
August 1, 2010	12,170,000
February 1, 2011	12,595,000
August 1, 2011	13,030,000
February 1, 2012	13,485,000
August 1, 2012	13,960,000
February 1, 2013	14,445,000
August 1, 2013	14,950,000
February 1, 2014	15,470,000
August 1, 2014	16,010,000
February 1, 2015	16,570,000
August 1, 2015	17,145,000
February 1, 2016	17,745,000
August 1, 2016	18,355,000

* 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), and (3), 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 \$12,000,000 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 \$6,000,000 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 \$55,000,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$3,000,000 shall be made exclusively out of the Special Account. The Bank may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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 deposit into the Special Account of an amount or amounts 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;

(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, minus the total amount of all outstanding special commitments 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.

