

CONFORMED COPY

LOAN NUMBER 2928 IN

(Industrial Finance and Technical Assistance Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 12, 1988

LOAN AGREEMENT

AGREEMENT, dated May 12, 1988, 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) Part A of the Project will be carried out by the Industrial Development Bank of India (IDBI) with the Borrower's assistance and as part of such assistance the Borrower will make available to IDBI part of the proceeds of the Loan as provided in this Agreement;

(C) Part B of the Project will be carried out by the Industrial Credit and Investment Corporation of India Limited (ICICI) with the Borrower's assistance and as part of such assistance the Borrower will make available to ICICI part of the

proceeds of the Loan as provided in this Agreement; and

(D) by a loan agreement of even date herewith between the Bank and the Steel Authority of India Limited (SAIL), the Bank has agreed to make a loan to SAIL in an aggregate principal amount of \$50,000,000 (the SAIL Loan) to assist SAIL in the financing of Part C of the Project on the terms and conditions therein set forth;

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 IDBI and the Bank and ICICI, respectively;

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 in Schedule 5 to this Agreement (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) "IDBI Act" means the Industrial Development Bank of India Act No. 18 of 1964 of the Borrower, as amended to the date of this Agreement;

(b) "IDBI" means the Industrial Development Bank of India, a body corporate established under the IDBI Act;

(c) "ICICI" means the Industrial Credit and Investment Corporation of India Limited, a company established and operating under the laws of India;

(d) "ICICI Charter" means the Memorandum of Association and the Articles of Association of ICICI dated January 5, 1955, as amended to the date of this Agreement;

(e) "IDBI Project Agreement" means the agreement between the Bank and IDBI, 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 IDBI Project Agreement;

(f) "ICICI Project Agreement" means the agreement between the Bank and ICICI, 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 ICICI Project Agreement;

(g) "Project Agreements" means the IDBI Project Agreement and the ICICI Project Agreement collectively;

(h) "IDBI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and IDBI pursuant to Section 3.02 (a) and (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the IDBI Subsidiary Loan Agreement;

(i) "ICICI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ICICI pursuant to Section 3.02 (b) and (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the ICICI Subsidiary Loan Agreement;

(j) "Subsidiary Loan Agreements" means the IDBI Subsidiary Loan Agreement and ICICI Subsidiary Loan Agreement collectively and "Subsidiary Loans" means any loans provided for therein;

(k) "Sub-loan" means a loan or credit made or proposed to be made by IDBI or ICICI, as the case may be, to an Investment Enterprise for an Investment Project out of the proceeds of the Loan relent to IDBI and ICICI under the IDBI and ICICI Subsidiary Loan Agreements, respectively;

(l) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 1 to the IDBI and ICICI Project Agreements, respectively;

(m) "Investment Enterprise" means an industrial enterprise which is engaged in or intends to engage in manufacturing or processing and to which IDBI or ICICI, as the case may be, proposes to make or has made a Sub-loan;

(n) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(o) "Prior Loan Agreement" means, in respect of IDBI, any outstanding loan agreement between India, acting by its President, and the Bank pursuant to which the proceeds of the Loan or part thereof were relent to IDBI and, in respect of ICICI, any outstanding loan agreement between the Bank and ICICI, dated before the date of this Agreement and "Prior Loan" means any loan provided for therein;

(p) "IDBI Policy, Strategy and Collection Strategy Statements" mean the policy, strategy and collection strategy statements adopted and approved by the Board of Directors of IDBI, on December 9, 1987 as each of which may be amended from time to time;

(q) "ICICI Policy, Strategy and Collection Strategy Statements" mean the policy, strategy and collection strategy statements adopted and approved by the Board of Directors of ICICI, on November 12, 1987 as each of which may be amended from time to time;

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

(s) "Rupees" means the currency of the Borrower.

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 in various currencies equivalent to three hundred ten million dollars (\$310,000,000).

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: (i) amounts paid (or, if the Bank shall so agree, amounts to be paid) by IDBI and ICICI, respectively, on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A (ii) and B (ii) of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Parts A and B of

the Project, open and maintain in dollars a special 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, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower, IDBI and ICICI of such later date.

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

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

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

(c) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 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; Use of Proceeds of the Loan

Section 3.01. 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 each of IDBI and ICICI to perform in accordance with the provisions of the Project Agreements all their respective obligations 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 IDBI and ICICI, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. (a) The Borrower shall make available to IDBI out of the proceeds of the Loan an amount not to exceed in the aggregate \$205,000,000 equivalent, comprising \$200,000,000 equivalent for Part A (i) of the Project and \$5,000,000 equivalent for Part A (ii) of the Project, pursuant to a subsidiary loan agreement to be entered into between the Borrower and IDBI.

(b) The Borrower shall make available to ICICI out of the proceeds of the Loan an amount not to exceed in the aggregate \$105,000,000 equivalent, comprising \$100,000,000 equivalent for Part B (i) of the Project and \$5,000,000 equivalent for Part B (ii) of the Project, pursuant to a subsidiary loan agreement to be entered into between the Borrower and ICICI.

(c) The Subsidiary Loan Agreements shall be under terms and conditions which shall have been approved by the Bank and which include, inter alia: (i) assumption of the foreign exchange and interest rate risks under the Loan by the Borrower and, to this end, denomination of the Subsidiary Loans in Rupees; and (ii) rate of interest of 11% per annum on the principal amount withdrawn and outstanding from time to time or such other comparable rate as may be determined after regular interest rate reviews; repayment in Rupees by IDBI and ICICI, respectively, within twenty years, including therein a period of grace of five years.

Section 3.03. The Borrower shall exercise its rights under the IDBI and ICICI Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the IDBI and ICICI Subsidiary Loan Agreements or any provision thereof.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods and services required for Parts A and B of the Project and to be financed out of the proceeds of the Loan shall be governed, respectively, by the provisions of Schedule 2 to the IDBI and ICICI Project Agreements.

Section 3.05. 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 Parts A and B of the Project shall be carried out by IDBI and ICICI pursuant to Section 2.04 of their respective Project Agreements.

ARTICLE IV

Financial and Other 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 under Parts A and B of the Project, 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 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 four 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.

Section 4.02. The Borrower shall have the Special Account for each financial year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Bank and furnish to the Bank as soon as available, but in any case not later than six months after the end of each year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.

ARTICLE V

Remedies of the Bank

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

- (a) IDBI or ICICI shall have failed to perform any of their respective obligations under the Project Agreements;
- (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 either IDBI or ICICI will be able to perform their respective obligations under the Project Agreements;
- (c) IDBI Act, or IDBI Policy, Strategy and Collection Strategy Statements, shall have been amended so as to materially and adversely affect the carrying out of Part A of the Project, or the operations or financial condition of IDBI;
- (d) ICICI Charter or ICICI Policy, Strategy and Collection Strategy Statements shall have been amended so as to materially and adversely affect the carrying out of Part B of the Project, or the operations or financial condition of ICICI;
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of either IDBI or ICICI or for the suspension of their respective operations; and
- (f) Any part of the principal amount of any loan to either IDBI or ICICI having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable.

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

- (a) the event specified in paragraph (a) 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 (c), (d), (e) or (f) of Section 5.01 of this Agreement shall occur.

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, namely, that:

(a) the IDBI Subsidiary Loan Agreement has been executed on behalf of the Borrower and IDBI;

(b) the ICICI Subsidiary Loan Agreement has been executed on behalf of the Borrower and ICICI; and

(c) that all conditions precedent to the effectiveness of the SAIL Loan, except for those related to the effectiveness of this Agreement, have been fulfilled.

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, namely, that:

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

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

(c) that the IDBI Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and IDBI and is legally binding upon the Borrower and IDBI in accordance with its terms; and

(d) that the ICICI Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ICICI and is legally binding upon the Borrower and ICICI 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 in the Ministry of Finance, Department of Economic Affairs 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:

The Secretary to the Government of India
Ministry of Finance
Department of Economic Affairs
New Delhi, India

Cable address:

Telex:

ECOFAIRS
New Delhi

953-313546

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:

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.

INDIA

By /s/ N. Misra

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

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) Sub-loans for Investment Projects under Part A (i) of the Project	200,000,000	100% of foreign expenditures or 80% of IDBI Loans
(2) Sub-loans for Investment Projects under Part B (i) of the Project	100,000,000	100% of foreign expenditures or 80% of ICICI Loans

(3) Technical Assistance for Part A (ii) of the Project:		
(a) Consultants' services	300,000	100%
(b) Training	1,000,000	100% of foreign expenditures and 50% of local expenditures
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(c) Equipment	3,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(4) Technical Assistance for Part B (ii) of the Project:		
(a) Consultants' services	1,500,000	100%
(b) Training	1,500,000	100% of foreign expenditures and 50% of local expenditures
(c) Equipment	2,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally

TOTAL	310,000,000	

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. The disbursement percentage for Categories (1) and (2) have been calculated in compliance with the policy of the Bank that the proceeds of the Loan shall not be disbursed on account of payments for the acquisition of land, taxes or duties; on this basis, if the cost of land, taxes or duties represents more than 50% of the total cost of the concerned Investment Project, the Bank may, by

notice to the Borrower, decrease the disbursement percentages then applicable to respectively Categories (1) and (2) as required to be consistent with the aforementioned policy of the Bank.

4. 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; and

(b) in respect of a Sub-loan, unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the respective Schedule 1 to the IDBI and ICICI Project Agreements.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in carrying out its program of industrial development by strengthening the operational, resource allocation and institutional capabilities of IDBI and ICICI; and supporting SAIL in its restructuring efforts in order to provide more efficient steel production.

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:

- (i) Financing of specific Investment Projects through IDBI Sub-loans to eligible private enterprises in the industrial sector.
- (ii) Provision of assistance to IDBI to support training programs at the new training institute in Hyderabad, overseas training, improvement of its management and information systems, and provision of management and technical consultancy to support non-credit services to its associates and IDBI sponsored institutions.

Part B:

- (i) Financing of specific Investment Projects through ICICI Sub-loans to eligible enterprises in the industrial sector.
- (ii) Provision of assistance to ICICI to enable implementation of a computerization program and consultancy, training programs, in-house training center, overseas fellowships and sponsorships for ICICI staff in all aspects of its operations.

Part C:

Provision of technical assistance to assist SAIL in the restructuring of the steel sector through the following activities:

- (i) carrying out of a study on productivity improvement and planning;
- (ii) carrying out of a study on environmental management and pollution control in SAIL plants together with the provision of pollution monitoring equipment required for the purposes of such study;
- (iii) carrying out of a study to enable the upgrading and revamping of SAIL's existing training facilities, the revision of existing training programs, plant-specific

retraining programs together with the provision of training equipment such as blast furnace and power plant process simulators;

- (iv) training of approximately 200 engineers through approved training programs at foreign steel plants;
- (v) carrying out of a study on marketing and distribution together with provision of experimental equipment related to such study for packing and material handling; and
- (vi) carrying out of a study on technology upgrading at SAIL's alloy steel plant at Durgapur.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each May 1 and November 1 beginning November 1, 1993 through November 1, 2007	10,335,000
On May 1, 2008	10,285,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

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

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to

the balance outstanding
on the Loan on the day of
prepayment multiplied by:

Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 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 Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 Parts A and B 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; provided, however, that notwithstanding the provisions of paragraph 2 (b) of Schedule 1 to the IDBI and ICICI Project Agreements, respectively, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$40,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for

replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts A and B of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Parts A and B 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 into 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 any expenditure or in any 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, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

SCHEDULE 5

Modifications of General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) The last sentence of Section 3.02 is deleted.
- (2) The following sub-paragraph is added to Section 2.01:

"21. The term 'Project Agreements' has the meaning set forth in paragraph (g) of Section 1.02 of the Loan Agreement."

(3) The words "the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in the respective sub-paragraphs 3 (c) of Schedule 1 to the Project Agreements, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under respective sub-paragraphs (a) or (b) of said paragraphs; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

