

CONFORMED COPY

LOAN NUMBER 3737 LT

Loan Agreement

(Power Rehabilitation Project)

between

REPUBLIC OF LITHUANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 27, 1995

LOAN NUMBER 3737 LT

LOAN AGREEMENT

AGREEMENT, dated January 27, 1995, between REPUBLIC OF LITHUANIA (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, B and C (1), (2) and (3) of the Project will be carried out by the Lithuania State Power System (LSPS) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to LSPS a part of the proceeds of the Loan as provided in this Agreement; 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 Agreement of even date herewith between the Bank and LSPS;

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) 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) "Project Agreement" means the agreement between the Bank and LSPS, defined hereafter, 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.

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and LSPS pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

(c) "LSPS" means the Lithuania State Power System, established and operating pursuant to the Law on Enterprise dated as of May 8, 1990, the Law on State Enterprise dated as of September 9, 1990 and Decree No. 75 on Statute and Specific Enterprises dated as of February 22, 1991.

(d) "Statutes" means the statutes of LSPS, No. 91-0152, dated as of April 27, 1993, as the same may be amended from time to time.

(e) "EPC" means the Borrower's Energy Pricing Council, established and operating pursuant to the Decree on the Creation of Energy Resources Pricing Council, No. 192, dated as of March 23, 1994.

(f) "LTc" means Lithuanian cent.

(g) "Lt" means Lithuanian currency.

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

## 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 twenty-six million four hundred thousand dollars (\$26,400,000), 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 shall, for the purposes of Parts A, B and C (1), (2) and (3) of the Project, open and maintain in a freely convertible currency satisfactory to the Bank a special account in a commercial 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 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate 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 semiannually 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

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) shall carry out Part C (4) of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause LSPS to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable LSPS to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Part C (4) of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall relend a part of the proceeds of the Loan to LSPS for purposes of Parts A, B and C (1), (2) and (3) of the Project under a subsidiary loan agreement to be entered into between the Borrower and LSPS, under terms and conditions which shall have been approved by the Bank, including inter alia: (i) an interest rate equivalent to the interest rate provided for in Section 2.05 of this Agreement; and (ii) the relending of such proceeds of the Loan by the Borrower and the repayment by LSPS to be in foreign exchange, with the foreign exchange risk to be borne by LSPS.

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of the consultants' services required for Part C (4) of 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 3.03. 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) in respect of Parts A, B and C (1), (2) and (3) of the Project shall be carried out by LSPS pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall carry out the Project in accordance with sound environmental policies and practices satisfactory to the Bank, including, inter alia, the preparation by August 30, 1995, of: (a) an asbestos management and disposal plan; (b) a polychlorinated biphenyl (PBC) survey; and in the event that PBCs are found, preparation of a PBC management plan; and (c) a fuel spill control and action plan.

#### 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 Part C (4) of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (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 power 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 LSPS, to establish prices for heat and electricity sold by LSPS, and to provide subsidies for the operating costs of heat services which would: (i) allow LSPS, under conditions of efficient operation at reasonable levels of capacity utilization, to cover its costs, including the costs of production, operations, maintenance, taxes, depreciation and interest, earn an adequate return on funds invested (calculated as a percentage of sales revenues), meet its financial obligations and make a reasonable contribution to future investment for expansion of capacity; and (ii) be reasonably competitive with prices for heat and electricity in other major producing countries.

(c) The Borrower shall, within fifteen (15) days of receiving from LSPS a request, based on quarterly accounting data, for remittance of subsidies for the operating costs of heat services, make such remittance to LSPS in order to satisfy the requirements of sub-paragraph (b) above.

(d) Notwithstanding the foregoing, the Borrower agrees to take all measures necessary to gradually reduce and eventually eliminate all direct subsidies to LSPS.

Section 4.03. The Borrower, together with the Bank, shall carry out, by June 30, 1997, a comprehensive mid-term review of implementation of the Project on the basis of performance criteria satisfactory to the Bank.

## 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) LSPS shall have failed to perform any of its obligations under the Project 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 LSPS will be able to perform its obligations under the Project Agreement.
- (c) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of LSPS to perform any of its obligations under the Project 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) any event specified in paragraph (b) or (c) 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:

(a) the Borrower shall have increased the price for electricity net of tax to not less than 11.5 LTc per kw hour average and the price for residential heat to not less than 30 Lt per gigacalorie or shall have increased such prices to a combination that provides the revenue equivalent;

(b) the Subsidiary Loan Agreement shall have been executed on behalf of the Borrower and LSPS; and

(c) the Borrower shall have issued a Decree restricting the Director General of LSPS from holding the position of Deputy Minister of Energy of the Borrower.

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 Agreement has been duly authorized by LSPS and is legally binding upon LSPS in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized by the Borrower and LSPS and is legally binding upon the Borrower and LSPS 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

##### Representative of the Borrower; Addresses

Section 7.01. 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:

Minister of Finance  
Ministry of Finance  
Sermuksniy 6  
2696 Vilnius  
Lithuania

Telex:

261252 FIMA SU

For the Bank:

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

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

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 LITHUANIA

By /s/ A. Eidintas

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ B. 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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Materials and equipment under Parts A, B and C (1), (2) and (3) of the Project	22,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(2) Consultants' services:		100% of foreign expenditures
(a) For Part C (1), (2) and (3) of the Project	1,350,000	
(b) For Part C (4) of the Project	350,000	



(3) Unallocated	2,400,000
	<hr/>
TOTAL	26,400,000 =====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

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

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and services not exceeding \$100,000 equivalent, 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) improve the operating efficiency of the electricity system thus reducing the amount of imported fuel needed for its operation; (ii) improve the safety, reliability and flexibility of the electricity system, thus reducing power disruptions and facilitating economic load management; and (iii) provide support for the restructuring and commercialization of LSPS, all in support of the Borrower's Energy Sector Development Policy and Strategy.

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

Rehabilitation of two thermal plants, namely, unit 6 at the Elektrenai Thermal Power Station and two units (2x80 MW) at the Mazeikiai combined-heat-and-power (CHP) station.

Part B:                   Upgrading of the Electricity System

(1)           Upgrading of the dispatch center in Vilnius, including the provision of modern remote terminal units and enhanced computer equipment.

(2)           Upgrading of the communications and control equipment.

(3)           Replacement of equipment at high-voltage transmission substations, including transformers, circuit breakers and disconnectors.

Part C:                   Technical Assistance

(1)           Restructuring of LSPS and its management.

(2)           Carrying out of a study for a least-cost, long-term plan for a phased modernization of the communications system of LSPS.

(3)           Strengthening of the capability of LSPS in managing and

implementing the Project through the utilization of modern project management methods.

(4) Assistance in the development of a regulatory framework for the energy sector, including the establishment of a detailed structure, the provision of analytical tools, and the introduction of modern methodologies and practices.

\* \* \*

The Project is expected to be completed by December 31, 1998.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1998	625,000
May 1, 1999	650,000
November 1, 1999	675,000
May 1, 2000	700,000
November 1, 2000	725,000
May 1, 2001	750,000
November 1, 2001	775,000
May 1, 2002	805,000
November 1, 2002	835,000
May 1, 2003	865,000
November 1, 2003	895,000
May 1, 2004	930,000
November 1, 2004	965,000
May 1, 2005	1,000,000
November 1, 2005	1,035,000
May 1, 2006	1,070,000
November 1, 2006	1,110,000
May 1, 2007	1,150,000
November 1, 2007	1,190,000
May 1, 2008	1,235,000
November 1, 2008	1,280,000
May 1, 2009	1,325,000
November 1, 2009	1,375,000
May 1, 2010	1,425,000
November 1, 2010	1,475,000
May 1, 2011	1,535,000

---

\* 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

0.18

before maturity	
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

#### SCHEDULE 4

##### Consultants' Services

###### Employment of Consultants

1. In order to assist the Borrower in carrying out Part C (4) of the Project, the Borrower shall employ public utility consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultants' Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Bank.
2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants' 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 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, this exception to prior Bank review shall not apply to the terms of reference for such contracts, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts for employment of consulting firms raising the contract value to \$100,000 equivalent or above or amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

1. The Borrower shall: (a) by September 30, 1994, inform the Bank as to the measures to be taken with respect to the actions specified in sub-paragraph (b) below; and (b) by June 30, 1995, prepare, for review and comment by the Bank, on the basis of terms of reference prepared in consultation with the Bank, the first draft of a least-cost development plan for the power sector, which plan shall, with respect to the safety of the nuclear power plant of the Borrower, be consistent with the Nuclear Safety Account Agreement between the Borrower and the European Bank for Reconstruction and Development, dated February 10, 1994.

2. The Borrower shall: (a) by September 30, 1995, carry out, on the basis of terms of reference prepared in consultation with the Bank, a study on the measures required to strengthen the EPC; (b) promptly after completion of said study, furnish the Bank for review and comment the recommendations of said study for strengthening the EPC; and (c) by October 30, 1995, consult with the Bank on the plan for implementing said recommendations.

3. The Borrower, together with the EPC and LSPS, shall carry out the Plan of Action for the restructuring of LSPS and for the reform of the power sector as set forth in the Borrower's Energy Sector Development Policy and Strategy.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the

Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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.

[Redacted]