

CONFORMED COPY

LOAN NUMBER 3311 IND

(Second Higher Education Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 3, 1991

LOAN NUMBER 3311 IND

LOAN AGREEMENT

AGREEMENT, dated May 3, 1991, between REPUBLIC OF INDONESIA (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;

WHEREAS (B) the Borrower intends to obtain from the Overseas Economic Cooperation Fund (Japan) (hereinafter called OECF) a loan in Yen in an amount equivalent to nine million six hundred thousand dollars (\$9,600,000) (hereinafter called the OECF Loan) to assist in the financing of the environmental study centers under Part B (v) of the Project on terms and conditions set forth in an Agreement (hereinafter called the OECF Loan Agreement) to be entered into between the Borrower and OECF;

WHEREAS the Bank has agreed, on the basis, inter alia, of the

foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Higher Education Program Guidelines" means the long-term Borrower's policies for the higher education Sub-sector, satisfactory to the Bank;

(b) "DGHE" means the Directorate General for Higher Education;

(c) "CPIU" means the Central Project Implementation Unit established within DGHE on February 8, 1988, for purposes of the overall coordination of higher education projects;

(d) "UKKP" means the Library Activities Coordination Unit established within DGHE on February 10, 1988, for purposes of the overall coordination of the university libraries;

(e) "FY" means the Borrower's fiscal year beginning April 1 and ending March 31; and

(f) "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, an amount in various currencies equivalent to one hundred fifty million dollars (\$150,000,000).

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Bank of Indonesia 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 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ 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 June 15 and December 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (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, shall carry out the Project through

DGHE with due diligence and efficiency and in conformity with appropriate educational, engineering, environmental, administrative, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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 the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

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 4 to this Agreement.

ARTICLE IV

Financial Covenants

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

(b) 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 nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in

their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall, by September 30, 1991, or such later date as the Bank shall so agree, obtain other loans or financing, on reasonable terms, from OECF or from other sources outside Indonesia to assist in the financing of the strengthening of the environmental study centers under Part B (v) of the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following event is specified:

(a) Subject to paragraph (b) of this Section:

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

(ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
c/o Director General of Budget
Jln Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

44319 DEPKEU-IA
45799 DJMLN-IA

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

440098 (TRT)
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.

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly
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 Expenditure to be Financed
(1) Civil works	15,000,000	70%
(2) Equipment, furniture, books, journals and instructional materials	36,900,000	100% of foreign expenditures 100% of local expenditures (ex-factory costs) and 65% of other locally procured items

(3) Overseas training	18,800,000	100%
(4) In-country training	41,900,000	45%
(5) Technical assistance	8,000,000	100%
(6) Research	14,700,000	100%
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditure to be Financed
(7) Project Management (excluding salaries)	6,200,000	100%
(8) Unallocated	8,500,000	

TOTAL	150,000,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement;

(b) expenditures in respect of Category 2 of the table in paragraph 1 of this Schedule for Part A (iv) of the Project until the Borrower has appointed to manage the UKKP a full-time qualified and experienced officer, acceptable to the Bank; and

(c) expenditures in respect of Category 2 of the table in paragraph 1 of this Schedule for Part B (iv) of the Project, except for an aggregate amount not to exceed \$1,000,000, until the Borrower has adopted an Action Plan, satisfactory to the Bank, for: (i) the establishment of the equipment maintenance and repair centers of the polytechnic under the Project; and (ii) training the staff of such centers.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to implement its Higher Education Program Guidelines aimed at: (i) improving quality and efficiency; (ii) alleviating human resource shortages; (iii) improving planning and management; (iv) increasing resource mobilization; and (v) strengthening regional development.

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: Improvement of higher education quality and efficiency through: (i) university staff development; (ii) expansion and improvement of research programs; (iii) support for Inter-University Centers and (iv) strengthening of the university library system.

Part B: Improvement of fields of study reflecting human resource needs, through: (i) strengthening of the basic science education and science teacher training; (ii) improving of the science and technology centers located at Medan, Surabaya, Ujung Pandang and Semarang for their use by private universities; (iii) supporting of the Accelerated Engineering Education Programs (PPI); (iv) strengthening of the 16 polytechnic; (v) strengthening of about 12 Environmental Study Centers; and (vi) the construction of physical facilities for the: (a) agriculture faculty and auditorium at the University of Andalas; (b) engineering and basic sciences faculties and auditorium at the University of Gadjah Mada; and (c) pre-medical program at the University of Lambung Mangkurat.

Part C: Improvement of planning, management and project implementation capacity of DGHE through: (i) carrying out of management development programs for selected DGHE and university staff; (ii) enhancement of the DGHE and universities management information systems; (iii) implementation of higher education planning and management studies; and (iv) strengthening of the CPIU.

* * * * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 15, 1996	2,735,000
June 15, 1997	2,840,000
December 15, 1997	2,950,000
June 15, 1998	3,065,000
December 15, 1998	3,185,000
June 15, 1999	3,305,000
December 15, 1999	3,435,000
June 15, 2000	3,565,000
December 15, 2000	3,705,000
June 15, 2001	3,850,000
December 15, 2001	3,995,000
June 15, 2002	4,150,000
December 15, 2002	4,310,000
June 15, 2003	4,480,000
December 15, 2003	4,650,000
June 15, 2004	4,830,000
December 15, 2004	5,020,000
June 15, 2005	5,210,000
December 15, 2005	5,415,000
June 15, 2006	5,625,000
December 15, 2006	5,840,000
June 15, 2007	6,065,000
December 15, 2007	6,300,000
June 15, 2008	6,545,000
December 15, 2008	6,795,000
June 15, 2009	7,060,000
December 15, 2009	7,330,000
June 15, 2010	7,615,000
December 15, 2010	7,910,000
June 15, 2011	8,220,000

* 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

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. All civil works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. All furniture shall be procured under contracts awarded, on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank; provided, however, that furniture estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotation solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

3. Equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$5,300,000, may be procured under contracts awarded on

the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank; provided, however, that equipment estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate of \$1,700,000 may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

4. Books, journals and other instructional material may be procured directly from publishers, local distributors or book jobbers, eligible under the Guidelines, or under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

5. Research activities may be procured under contracts awarded under criteria and procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for: (i) civil works estimated to cost the equivalent of \$1,000,000 or more, and (ii) equipment, furniture, books, journals and other instructional materials estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ 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.

SCHEDULE 5

Implementation Program

1. The Borrower shall:

(a) carry out the Project in accordance with the Higher

Education Program Guidelines and an Action Plan, satisfactory to the Bank;

(b) by December 31 of each year, commencing on December 31, 1991, prepare and furnish to the Bank, for its review and comments, a report on the implementation of the previous Fiscal Year's budget for the Borrower's higher education program, and a proposed budgetary allocation for the following Fiscal Year, and, thereafter, taking into account the Bank's comments, if any, make the required budgetary allocations for the carrying out of such program during the following Fiscal Year;

(c) without limitations to the provisions of Section 9.07 (a) of the General Conditions, not later than 30 calendar days after the end of each reporting period, through DGHE, prepare and furnish to the Bank semi-annual progress and evaluation reports of the Project, such reporting periods to cover the activities from April through September and October through March of each of the Borrower's Fiscal Years;

(d) maintain within DGHE the CPIU, headed by a qualified and experienced officer, acceptable to the Bank, and assigned with such functions, responsibilities, staffing, including the assignment of three additional professional staff by July 31, 1991, and funds as shall be required to enable the CPIU to adequately coordinate the implementation of the various activities under the Project; and

(e) take all such action as shall be necessary to ensure that by December 31, 1991, or such later date as the Bank shall so agree, each of the Universities of Sumatera Utara (USU), Sriwijaya (UNSRI), Indonesia (UI), Padjadjaran (UNPAD), Gadjah Mada (UGM), Diponegoro (UNDIP), Lambung Maugkurat (UNLAM), Hasanuddin (UNHAS) and Cendrawasih (UNCEN) and the Institutes of Pertanian Bogor (IPB), Teknologi Bandung (ITB) and Teknologi Surabaya (ITS) shall adopt an action plan, satisfactory to the Bank, to strengthen their respective Environmental Study Centers, which action plan to include: (i) recognition of each of the Environmental Study Centers as a constituent part of the respective university; (ii) allotment of qualified and experienced full-time staff to core positions of each of the Environmental Study Centers; and (iii) recognition of the work undertaken by the staff of the centers for promotion purposes.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for 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 \$15,000,000 to be withdrawn from the Loan Account and deposited in 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 in 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. 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 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 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.

