

CONFORMED COPY

CREDIT NUMBER 3535 IND

Development Credit Agreement

(Second Kecamatan Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 30, 2001

CREDIT NUMBER 3535 IND

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 30, 2001 between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to two hundred eight million nine hundred thousand Dollars (\$208,900,000) (the Loan); and

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) the second sentence of Section 5.01 is modified to read:

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

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) "Affected Persons" means persons who, on account of the execution of Part A of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and "Affected Person" means individually all those who qualify as Affected Persons;

(b) "BAPPEDA" means the Regional or Local Development Planning Agency;

(c) "BAPPENAS" means the Borrower's National Development Planning Agency;

(d) "BPM" means Bina Pemberdayaan Masyarakat, the Borrower's Directorate General for Community Empowerment under the Ministry of Home Affairs and Regional Autonomy;

(e) "BPM Secretariat" means the Project management unit established within the Borrower's Ministry of Home Affairs and Regional Autonomy;

(f) "BPKP" means Badan Pengawas Keuangan dan Pembangunan, the Borrower's Financial and Development Supervisory Agency;

(g) "Bupati" means the Head of a Kabupaten;

(h) "Camat" means the Kabupaten official at the Kecamatan;

(i) "Desa" means a village;

(j) "Facilitator" means a technical or social specialist assigned to work

with villages to facilitate their participation in the Project;

(k) "Fiscal Year" and "FY" mean the Borrower's fiscal year commencing January 1 and ending December 31;

(l) "Grant" means a grant made available by the Borrower out of the proceeds of the Credit to a LKMD for a Sub-project under Part A.1 through A.5 of the Project pursuant to the provisions of the Annex to Schedule 4 to this Agreement;

(m) "Grantee" means a person or an entity carrying out a Sub-project under Part A.1, A.2, A.3, A.4 or A.5 of the Project;

(n) "Isolated Vulnerable People" means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof;

(o) "Kabupaten" means a district;

(p) "Kecamatan" means an administrative sub-district of a Kabupaten;

(q) "Kepala Desa" means the Head of a village;

(r) "Land Acquisition and Resettlement Guidelines" means the Guidelines adopted by the Borrower on May 14, 2001, acceptable to the Association, for the provision of compensation, rehabilitation and resettlement assistance to Affected Persons, as such Guidelines may be amended from time to time in agreement with the Association;

(s) "LKMD" means Lembaga Ketahanan Masyarakat Desa, a village community forum, or other village institution established under Keppres 49/2001;

(t) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(u) "PJOK" means a Project manager at the Kecamatan level;

(v) "Project Kecamatan" means a Kecamatan selected by the Borrower for participation in Part A of the Project in accordance with the criteria set forth in paragraph 9 of Schedule 4 to this Agreement;

(w) "Project Management Report" means each report prepared in accordance with Section 4.03 of this Agreement;

(x) "Project Manual" means the manual to assist BPM and LKMDs in the implementation of the Project, as such Project Manual may be amended from time to time with the agreement of the Association;

(y) "Project Performance Indicators" means those indicators designed to measure the Borrower's performance in achieving Project objectives as set forth in Schedule 5 to this Agreement;

(z) "Rupiah" and "Rp" mean the currency of the Borrower;

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

(bb) "Sub-borrower" and "Sub-borrowers" mean a person and persons, respectively, responsible for the carrying out of a Sub-project under Part A.6 of the Project;

(cc) "Sub-loan" means a loan made by an UPK to a Sub-borrower or Sub-borrowers for a Sub-project under Part A.6 of the Project out of funds made available to the relevant Kecamatan by the Borrower out of the proceeds of the Loan;

(dd) "Sub-project" means a specific investment project carried out under Part A of the Project and utilizing the proceeds of a Grant or a Sub-loan;

(ee) "Sub-project Agreement" means the agreement entered into between an UPK and a Grantee and between an UPK and a Sub-borrower for purposes of a Sub-project;

- (ff) "SUSENAS" means the Borrower's National Household Expenditure Survey; and
- (gg) "UPK" means a Kecamatan Financial Management Unit.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eighty seven million, five hundred thousand Special Drawing Rights (SDR 87,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement (i) for amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of a Grant or a Sub-loan made under Part A of the Project to meet the reasonable cost of goods and services required for a Sub-project and in respect of which the withdrawal from the Credit Account is requested; and (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B, C and D of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in Bank Indonesia (its Central Bank) or in a state commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including in the case of a state commercial bank, appropriate protection against set-off, seizure and 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 December 31, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on

each June 1 and December 1 commencing December 1, 2011, and ending June 1, 2036. Each installment to and including the installment payable on June 1, 2021, shall be one and one-fourth percent (1 and 1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2 and 1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Directorate General of Community Empowerment of its Ministry of Home Affairs and Regional Autonomy with due diligence and efficiency and in conformity with appropriate administrative, agriculture, engineering, environmental, financial and social 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit 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 separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association'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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than November 30, 2002, or such later date as the Association shall agree, to prepare

quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled; and

(b) that the Project Manual, acceptable to the Association, has been adopted.

Section 5.02. 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 Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Indonesia

Cable address:	Telex:	Facsimile:
FINMINISTRY Jakarta	45799 DJMLN-IA 44319 DEPKEU-IA	(21) 381 2859

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

REPUBLIC OF INDONESIA

By /s/ H.E. DR. Boediono

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mark Baird

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in dollars)	% of Expenditures Financed
(1) Grants and Sub-loans under Part A of the Project	64,000,000	151,100,000	100% of Grant or Sub-loan amount disbursed
(2) Training under Part B.1 and facilitation Support under Part B.3 of the Project	18,000,000	42,600,000	100%
(3) Consultants' services under:			100%

(a) Part C of the Project	4,700,000	11,200,000	
(b) Parts B.2 and D of the Project	800,000	1,911,000	
(4) Fee		2,089,000	Amount due under Section 2.04 of the Loan Agreement
TOTAL	87,500,000	208,900,000	

2. 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) payments made for expenditures under Category (2) until the Borrower has (i) employed the consultants at the central, provincial, Kabupaten and Kecamatan level in accordance with paragraph 6 of Schedule 4 to this Agreement; (ii) employed the management firms in accordance with paragraph 7 of Schedule 4 to this Agreement, and (iii) selected the bank in accordance with paragraph 8 of Schedule 4 to this Agreement.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for Grants, Sub-loans, training and facilitation support (Facilitators) under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in supporting better governance in rural villages and in providing rural communities with development infrastructure that will raise the income of the poor.

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

Part A: Kecamatan Grants and Sub-loans Program

1. Carrying out of infrastructure investment projects in Kecamatans, through the provision of Grants to LKMDs.
2. Carrying out of small construction and rehabilitation projects in villages, through the provision of Grants to LKMDs.
3. Carrying out of social services projects in villages through the provision of Grants to LKMDs.
4. Carrying out of economic activities in villages, through the provision of Grants to selected poor women.
5. Carrying out of poverty reduction pilot projects in villages, through the provision of Grants to LKMDs.
6. Carrying out of income-generating investment projects in villages, through the provision of Sub-loans to Sub-borrowers.

Part B: Community Capacity Development

1. Carrying out of training programs for villagers and Facilitators, including:

- (a) training to develop basic skills in development planning and management;
- (b) training in cooperative planning, ex-post quality review, and conflict resolution;
- (c) training in setting up village linkages to government agencies and the private sector at the Kabupaten level through the establishment of monitoring activities, long-term development planning and community participation in Kabupaten contracting;
- (d) training in facilitation of hamlet and village meetings;
- (e) training in facilitation of inter-village meetings for planning, implementation review, and conflict resolution; and
- (f) training and facilitation of village meetings with provincial and Kabupaten parliaments for planning and implementation review.

2. Increasing villagers' awareness of available dispute resolution mechanisms through: (i) the provision of information to villagers on dispute resolution mechanisms including the preparation and publication of a booklet on villagers' rights relating to activities under the Project; (ii) the establishment and maintenance of a data base and a filing system for disputes and their resolution; and (iii) the provision of relevant information on these matters to Project staff and Project consultants.

3. Supporting the capacity of Project Kecamatans and villages in the planning and implementation of Sub-projects through the provision of facilitation support.

Part C: Implementation Support

1. Strengthening BPM's central, provincial and district Project implementation agencies through the provision of technical assistance.

2. Strengthening the capacity of villages to carry out pilot projects under Part A.5 of the Project, through provision of technical assistance.

Part D: Monitoring and Evaluation and Studies

1. Strengthening the monitoring and evaluation capacity of BAPPENAS and BPM through the provision of technical assistance.

2. Carrying out of studies to trace the effects of the Project's institutional reforms, and the Project's effects on local governance and poverty reduction.

3. Carrying out of studies on community-based safety nets and village and Kecamatan revenue generation.

4. Carrying out of studies at the Kabupaten level on ways to create a more favorable growth environment for poor villages, including procurement reforms and alternative systems of social service delivery.

5. Facilitating an assessment of poverty at the province and Kabupaten level and the sustainability of poverty reduction programs at the province and Kabupaten level.

6. Carrying out of statistical profiles of Kabupatens to assess the poverty status and the quality of the social service delivery in such Kabupatens.

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Procurement Procedures

Community Participation

Goods and works required for Part A of the Project may be procured in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$50,000 or more and each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member

countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for technical support to villages and services by non-governmental organizations for Project monitoring, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services under Part B.2, Part D.1 and Part D.6 of the Project, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms under Parts B, C and D of the Project, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants under Parts B, C and D of the Project, other than for Facilitators under Part B.3 of the Project and provincial and Kabupaten-level management consultants under Part C of the Project, the qualifications, experience, terms of reference and terms of employment of the consultant shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after such approval shall have been given.

(c) With respect to each contract for employment of individual consultants for Facilitators and provincial and Kabupaten-level management consultants under Part C of the Project, the terms of reference, including the qualifications and experience requirement, shall be furnished to the Association for its prior review and approval. The selection process in each case shall be initiated only after such approval has

been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Borrower shall adopt and, thereafter apply in the implementation of the Project, the Project Manual, acceptable to the Association, which shall include the description of: (i) implementation arrangements, (ii) the procurement procedures set forth in Schedule 3 to this Agreement and standard procurement documentation, (iii) reporting requirements, financial management procedures and audit procedures as set forth in Article 4 of this Agreement, (iv) the Project Performance Indicators set forth in Schedule 5 to this Agreement, (v) the Land Acquisition and Resettlement Guidelines referred to in Section 1.02 (r) of this Agreement, (vi) the environmental criteria applicable to Sub-project design including environmental impact mitigation, (vii) maintenance provisions for works to be carried out under a Sub-project, and (viii) the criteria for the selection of Sub-projects and terms and conditions of Sub-loans and Grants set forth in the Annex to Schedule 4 to this Agreement.

2. The Borrower shall maintain the BPM Secretariat until the completion of the Project with term of reference, facilities and staff, acceptable to the Association.

3. The Borrower shall:

(a) ensure that auditing activities under the Project, including the audits referred to in Section 4.01 of this Agreement, are carried out in accordance with BPKP's audit manual dated April 13, 1999 and in accordance with terms of reference agreed with the Association; and

(b) by October 31 in each year, commencing October 31, 2001, and until completion of the Project inform each Kabupaten, and province in which such Kabupaten is located, that all auditing activities with respect to Sub-projects are to be carried out exclusively by auditors appointed by BPM and in accordance with the manual and terms of reference referred to in sub-paragraph (a) of this paragraph 3.

4. The Borrower shall cause each Kabupaten participating in the Project to appoint a PJOK for purposes of the Project by not later than November 30 in each year, commencing November 30, 2001, and until completion of the Project.

5. The Borrower shall cause each Kabupaten participating in the Project to appoint a Kabupaten Coordination Team by not later than December 31 in each year, commencing December 31, 2001, such Team to include representatives from the Kabupaten BAPPEDA, BPM and the relevant Kabupaten technical agencies responsible for service delivery within a Kabupaten.

6. The Borrower shall for purposes of Parts B and C of the Project, employ at least thirty consultants at the central level, two hundred consultants at the provincial and Kabupaten level and one thousand consultants at the Kecamatan level, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

7. The Borrower shall, for purposes of Parts B and C of the Project, employ two management firms in accordance with the provisions of Section II of Schedule 3 to this Agreement, to provide administrative support to the consultants employed for purposes of Parts B and C of the Project.

8. The Borrower shall select in accordance with criteria acceptable to the Association the services of a banking institution, acceptable to the Association, to provide banking services required in the carrying out of activities under Parts B and

C of the Project.

9. The Borrower shall select Project Kecamatan that are among the Borrower's 35% poorest Kecamatan based on the SUSENAS data.

10. The Borrower shall ensure that:

(a) each provincial BAPPEDA shall, in consultation with the relevant Bupati, annually select proposed Project Kecamatan from a list, provided by BPM, of Kecamatan meeting the criteria set forth in paragraph 9 of this Schedule;

(b) each provincial BAPPEDA shall furnish the annual consolidated list of proposed Project Kecamatan to the BPM Secretariat and the Association for approval, by not later than November 30 of each year for the following Fiscal Year, commencing November 30, 2001, and until completion of the Project; and

(c) not later than December 31 of each year for the following Fiscal Year, commencing December 31, 2001, and until completion of the Project, the BPM Secretariat shall make the approved annual consolidated list of Project Kecamatan available to the public free of charge.

11. The Borrower shall ensure that the relevant Bupati and Camat shall:

(a) issue to the Project Kecamatan, by not later than October 31 of each year for the following Fiscal Year, commencing October 31, 2001, and until completion of the Project, public information aimed at disclosing to villagers and their representatives, all administrative, financial, environmental, social, procedural and technical aspects pertaining to the selection, design, preparation and implementation of Sub-projects; and

(b) make such information, including the Project Manual, available free of charge for consultation at the Kecamatan office.

12. In carrying out Part A of the Project the Borrower shall, through the relevant PJOK, ensure that, prior to the carrying out of works under a Sub-project, the Kabupaten engineer shall have completed a technical review of such Sub-project and shall have confirmed the following:

(a) the criteria described in the Annex to this Schedule have been complied with;

(b) necessary funding to fully finance the proposed Sub-project has been obtained, including a Grant or a Sub-loan and any voluntary contributions to be made by villagers;

(c) appropriate engineering and environmental standards and practices that would minimize any acquisition of land and avoid involuntary resettlement of Affected Persons have been considered in the design of the Sub-project in accordance with the Project Manual;

(d) the Land Acquisition and Resettlement Guidelines have been complied with, and, if applicable, appropriate compensation arrangements have been completed and are satisfactory to the Affected Persons as set forth under the Land Acquisition and Resettlement Guidelines and paragraph 15 of this Schedule;

(e) a Sub-project Agreement has been entered into and an implementation plan for the Sub-project has been prepared in accordance with the provisions of the Project Manual; and

(f) a maintenance program for the works to be carried out under the Sub-project has been prepared in accordance with terms acceptable to the Association and has been included in the Sub-project Agreement, which shall include assignment of maintenance responsibilities in the respective village, the preparation of training programs to strengthen the maintenance capabilities of the village, and the

identification of available sources of financing to carry out such programs.

13. In carrying out Part A of the Project, the Borrower shall:

(a) ensure that, until completion of the Project, the Project Manual is made available to the Kecamatan Facilitators and the Kabupaten engineers and applied in the carrying out of Sub-projects; and

(b) periodically update the Project Manual, if needed, in agreement with the Association.

14. In carrying out Part A of the Project, the Borrower shall ensure that:

(a) each infrastructure Sub-project under Part A of the Project is reviewed by the Kabupaten engineer upon completion and that a certificate of Sub-project completion shall be issued by the Kabupaten engineer upon a finding of satisfactory Sub-project completion in accordance with the Project Manual and approved designs; and

(b) if there is a finding of unsatisfactory completion of a Sub-project, except for cases of force majeure under Grants, the UPK shall recover the amounts disbursed under the respective Grant in accordance with community procedures acceptable to the Association.

15. In carrying out Part A of the Project, the Borrower shall:

(a) take measures to avoid or minimize the acquisition of land or assets of villagers and to avoid the displacement of said villagers;

(b) where the acquisition of land or assets or the displacement of villagers is unavoidable under a proposed Sub-project, ensure that the village shall, before carrying out the works which would result in such acquisition or displacement, make available to such villagers, compensation, resettlement and other rehabilitation measures in accordance with the Land Acquisition and Resettlement Guidelines; and

(c) in the event that two hundred or more villagers are adversely affected by a Sub-project:

(i) prepare a resettlement plan in accordance with the Land Acquisition and Resettlement Guidelines and furnish such plan to the Association for approval; and

(ii) prior to the carrying out of the Sub-project, ensure that all Affected Persons shall have been compensated and provided with resettlement and rehabilitation measures in accordance with the provisions of said plan.

16. In carrying out Part A of the Project, the Borrower shall:

(a) avoid, and, if not possible, minimize cultural, social and economic adverse effects on Isolated Vulnerable People caused or likely to be caused by the Project; and

(b) through a process of informed participation, involve concerned Isolated Vulnerable People in the design and implementation of Sub-projects so as to ensure that the benefits received by the Isolated Vulnerable People under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.

17. In carrying out Part A.6 of the Project, the Borrower shall ensure that:

(a) a revolving fund is established and maintained by the UPK in the Project Kecamatan in accordance with procedures agreed with the Association and set forth in

the Project Manual;

(b) payments on the principal of and interest on Sub-loans are deposited into the respective Kecamatan account established for such revolving funds;

(c) the UPK has been provided with technical assistance and training in bookkeeping and financial management;

(d) the verification team for proposed Sub-projects includes at least one member from a commercial bank; and

(e) where the Project Kecamatan has provided Sub-loans under the Borrower's Kecamatan Development Project (i) the annual average repayment on principal under Sub-loans calculated over the twelve preceding months is equal to or more than 80% of the total amount of repayment due during such twelve-month period, or (ii) the repayment has improved during the same twelve-month period by at least 25% in the aggregate.

18. The Borrower shall ensure that information on complaints received concerning the carrying out of activities under Part A of the Project, and their resolution, are published annually in a local and a national newspaper.

19. The Borrower shall employ at least one non-governmental organization in each province where Project activities are being carried out, to monitor the carrying out of Project activities under Part A of the Project in such province.

20. In carrying out Part D of the Project, the Borrower shall:

(a) carry out the studies in accordance with terms of reference acceptable to the Association;

(b) not later than January 1 in each year, commencing January 1, 2002, furnish to the Association for comments the recommendations of the studies carried out in the preceding year;

(c) not later than July 31 in each year, commencing July 31, 2002, prepare action plans for the implementation of the recommendations of the studies carried out in the preceding year, taking into account the comments of the Association on such recommendations; and

(d) promptly thereafter, carry out each of such action plans.

21. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) cause BPM to prepare, under terms of reference acceptable to the Association, and furnish to the Association:

(i) reports on the implementation of Part A of the Project covering the preceding calendar quarter, not later than April 30, July 31, October 31 and January 31 in each year, starting January 31, 2002, and until the completion of the Project; and

(ii) annual reports, not later than March 31 in each year, commencing March 31, 2003, and until completion of the Project, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, including a detailed evaluation of the monitoring and evaluation activities carried out

to avoid adverse effects on Isolated Vulnerable People caused or likely to be caused by the Project, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30 in each year, commencing June 30, 2003, or such later date as the Association shall request, and until completion of the Project, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

ANNEX TO SCHEDULE 4

Sub-project Selection Criteria

The Borrower shall cause Sub-projects to be selected in Project Kecamatans in accordance with the following criteria.

1. No Sub-project shall: (a) include expenditures intended for a military or paramilitary purpose; (b) include civil works for government administration or religious purposes, (c) relate to the manufacture or use of environmentally hazardous goods (including asbestos and pesticides), arms or drugs, (d) relate to the manufacture or use of fishing boats of 10 or more tons, tackle or dynamite; or (e) include the financing of government salaries.

2. Sub-projects under Part A.1 of the Project:

(a) each proposed Sub-project shall be a public infrastructure investment project which is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it;

(b) the estimated cost of a proposed Sub-project shall not be more than Rp.350,000,000;

(c) the estimated cost of the proposed Sub-project when added to the cost of the Sub-projects approved in the relevant Project Kecamatan does not exceed in the aggregate:

(i) Rp. 500,000,000 in Project Kecamatans with fewer than 15,000 inhabitants in all of the Borrower's provinces;

(ii) Rp. 750,000,000: (A) in Project Kecamatans with 15,000 or more inhabitants but less than 25,000 inhabitants in all of the Borrower's provinces except Banten, Central Java, DKI Jakarta, East Java, West Java and Yogyakarta, and (B) in Project Kecamatans with 25,000 or more inhabitants but less than 50,000 inhabitants in the Borrower's provinces of Banten, Central Java, East Java, West Java and Yogyakarta; and

(iii) Rp. 1,000,000,000: (A) in Project Kecamatans with 25,000 or more inhabitants in all of the Borrower's provinces except Banten, Central Java, DKI Jakarta, East Java, West Java and Yogyakarta, and (B) in Project Kecamatans with 50,000 inhabitants or more in the Borrower's provinces of Banten, Central Java, East Java, West Java and Yogyakarta; and

(d) a Sub-project Agreement shall be entered into between the UPK and the Grantee, on terms and conditions set forth in the Project Manual.

3. Sub-projects under Part A.2 of the Project:

(a) each proposed Sub-project shall be a public rehabilitation project which

is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it;

(b) the estimated cost of a proposed Sub-project shall not be more than Rp.50,000,000;

(c) the estimated cost of the proposed Sub-project when added to the cost of the Sub-projects approved in the relevant Project Kecamatan does not exceed in the aggregate:

- (i) Rp. 500,000,000 in Project Kecamatan with fewer than 15,000 inhabitants in all of the Borrower's provinces;
- (ii) Rp. 750,000,000: (A) in Project Kecamatan with 15,000 or more inhabitants but less than 25,000 inhabitants in all of the Borrower's provinces except Banten, Central Java, DKI Jakarta, East Java, West Java and Yogyakarta, and (B) in Project Kecamatan with 25,000 or more inhabitants but less than 50,000 inhabitants in the Borrower's provinces of Banten, Central Java, East Java, West Java and Yogyakarta; and
- (iii) Rp. 1,000,000,000: (A) in Project Kecamatan with 25,000 or more inhabitants in all of the Borrower's provinces except Banten, Central Java, DKI Jakarta, East Java, West Java and Yogyakarta, and (B) in Project Kecamatan with 50,000 inhabitants or more in the Borrower's provinces of Banten, Central Java, East Java, West Java and Yogyakarta; and

(d) a Sub-project Agreement shall be entered into between the UPK and the Grantee, on terms and conditions set forth in the Project Manual.

4. Sub-projects under Part A.3 of the Project:

(a) each proposed Sub-project shall be a social service investment project which is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it;

(b) the estimated cost of a proposed Sub-project shall not be more than Rp.25,000,000;

(c) each Sub-project proposed under Part A.3 of the Project in the education sector shall be compatible with the applicable Kabupaten education master plan;

(d) each Sub-project proposed under Part A.3 of the Project in the health sector shall be compatible with the applicable Kabupaten health master plan; and

(e) a Sub-project Agreement shall be entered into between the UPK and the Grantee, on terms and conditions set forth in the Project Manual.

5. Sub-projects under Part A.4 of the Project:

(a) each proposed Sub-project shall be an income-generating investment project which is technically, financially and environmentally viable, and economically justified; and

(b) a Sub-project Agreement shall be entered into between the UPK and the Grantee, on terms and conditions set forth in the Project Manual.

6. Sub-projects under Part A.5 of the Project:

(a) each proposed Sub-project shall be an investment project which is innovative, focused on the poor or the marginal groups, and contributes to the overall

objectives of the Project;

(b) the estimated cost of a proposed Sub-project shall not be more than Rp.150,000,000; and

(c) a Sub-project Agreement shall be entered into between the UPK and the Grantee, on terms and conditions set forth in the Project Manual.

7. Sub-projects under Part A.6 of the Project:

(a) each proposed Sub-project shall be an income-generating investment project which is technically, financially and environmentally viable, and economically justified; and

(b) a Sub-project Agreement shall be entered into between the UPK and the Sub-borrower, on terms and conditions set forth in the Project Manual, which shall include the terms and conditions of the Sub-loan.

SCHEDULE 5

Performance Indicators

INPUTS	FY 2002	FY2003	FY2004
No. of Project Kecamatans	700	700	700
No. of villages with Sub-Projects	7,000	10,000	10,000
% of women in Village meetings	30%	35%	40%
No. of Grants and Sub-loans disbursed	600	600	600
No. of pilot programs launched	-	2	1
OUTPUTS			
No. of Sub-project Agreements signed	10,000	10,000	10,000
% of work agreed, by type, value, workdays, etc	>80%	>80%	>80%
No. of women receiving Grants	100,000	100,000	100,000
% of Desas visited by Project staff	50%	75%	75%
IMPACTS			
1. Sub-project impacts			
Internal rate of return on investments	>20%	>20%	>20%
No. of beneficiaries (000,000)	4	5	5
% of beneficiaries who are women	40	40	40
% of beneficiaries who are poor	70	70	70
% of infrastructure with O&M committees	75	75	75
% of village schools rehabilitated	250	250	250
2. Poverty			
Panel survey findings on poverty			Pos. impact
SUSENAS findings on poverty			Pos.
Impact			
3. Governance			
No. of complaints databases published	25	25	25
No. of villages visits By journalists	100	100	100
No. of KDP Good governance Stipend awards granted	20	150	150
Adoption of agreed Study recommendations			x
Audits, % of Kecamatans sampled	5%	5%	5%
% of corruption complaints resolved	50	50	50
% of active participation in BPD	25	35	45
% of Kecamatans with DPRD-UDKP Committees	10	25	50
4. Sustainability			
% of Sub-loans repaid	80	80	80
No. of matching Grant Kabupatens	100	150	200
% of infrastructure ranked "good"	70	70	70
Revenue study results		x	x

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$32,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$16,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$64,000,000.

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

3. After the Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit Account under the respective eligible Category, 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further

withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Category minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

