

CONFORMED COPY

LOAN NUMBER 3042 IND

(Third Health Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 1, 1989

LOAN NUMBER 3042 IND

LOAN AGREEMENT

AGREEMENT, dated June 1, 1989, between THE 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;

(B) pursuant to a letter agreement dated June 3, 1987 between Japan and the Bank, Japan has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement; and

(C) Japan has agreed to make available to the Borrower a grant (the Japanese Grant) out of said funds to assist the Borrower in carrying out Parts B and C of the Project on the terms

and conditions set forth in an agreement (the Japanese Grant Agreement) of even date herewith;

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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "Health Policy Statement" means the policies to be undertaken by the Borrower pursuant to Repelita V to: (1) strengthen preventive and promotive health activities including their referral, as well as improving the nutrition status of the people; (2) improve the quality and coverage of health services; (3) adopt decentralization and integrated planning and budgets; (4) implement resource mobilization measures; and (5) enhancement of the intersectoral coordination amongst the central governments' health agencies, the local governments' health agencies and the concerned Ministries;

(c) "Project Area" means the provinces of Kalimantan Timur and Nusa Tenggara Barat; and

(d) "Repelita V" means the Borrower's five year development program for its fiscal years 1989/90 through 1993/94.

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 forty-three million five hundred thousand dollars (\$43,500,000).

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 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 June 30, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%)

per annum on the principal amount of the Loan not withdrawn from time to time.

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

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

(c) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall, and shall cause the Local Government of Kalimantan Timur and Nusa Tenggara Barat provinces to carry out the Project with due diligence and efficiency and in conformity with appropriate financial, health, management and administrative practices, and shall provide, promptly as needed, the funds, facilities, land, 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.

ARTICLE V

Remedies of the Bank

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

(a) that the Health Policy Statement shall have been amended, suspended, waived, repealed or abrogated so as to adversely affect the carrying out of the Project.

- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant 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.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under

such agreement; and (B) 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 events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (b) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) 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 VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

FINMINISTRY
Jakarta

Telex:

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:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila Karaosmanoglu
Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	17,000,000	91%
(2) Equipment, furniture and vehicles	8,300,000	100% of foreign expenditures 95% of local expenditures (ex-factory cost) and 65% of local ex- penditures for other items pro- cured locally
(3) Consultants' services	1,000,000	100%
(4) Training and studies	6,000,000	100%
(5) Incremental Operation and maintenance costs	1,600,000 1,500,000 1,500,000 1,100,000 700,000	FY 1989 - 100% FY 1990 - 100% FY 1991 - 100% FY 1992 - 100% FY 1993 - 100%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Project Secretariat	1,800,000	100%
(7) Unallocated	3,000,000	
TOTAL	43,500,000	

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;

(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; and

(c) the acronym "FY" means the Borrower's fiscal year commencing on April 1 and ending on March 31 of each Gregorian calendar year.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$750,000, may be made in respect of Category (3) on account of payments made for expenditures before that date but after October 1, 1988; (b) expenditures in respect of Category 1 for the expansion of the hospital at Mataram under Part A (iv) of the Project, until the land required therefor has been acquired and adequate compensation and rehabilitation measures have been provided to the owner(s) of such land and property therein; and (c) expenditures in respect of Category 1 for the construction of the hospital at Balikpapan under Part A (iii) of the Project, until the land required therefor is available for the carrying out of such Part of the Project and adequate compensation and rehabilitation measures have been provided to those residing and/or cultivating in such land.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) improve the delivery of health services to raise the health status of the people living in the Project Area; and (b) strengthen the Borrower's health sector management.

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: Sector Expenditure Program Support

- (i) Implementation of the Repelita V health sector expenditure program in the Project Area including (A) improvement of health service delivery both for the outreach (posyandu) and referral systems (health centers, sub-centers and hospitals), (B) communicable disease control programs, (C) training, (D) health education, (E) drug control and management, (F) rural water supply and sanitation, and (G) nutrition program and family planning service delivery program.
- (ii) Provision of technical assistance and training.
- (iii) Construction of a hospital to replace the existing facility in Balikpapan and renovation and upgrading, as the case may be of the provincial hospital in Samarinda, Kalimantan Timur.
- (iv) Expansion of the existing provincial hospital at Mataram, and the rehabilitation and upgrading, as the case may be, of the district hospitals in Praya, Selong, Dompu, Bima and Sumbawa, Nusa Tenggara Barat.
- (v) Construction, upgrading, rehabilitation and expansion, as the case may be, of health centers, sub-health centers and related staff housing in the Project Area.

- (vi) Construction, upgrading and rehabilitation, as the case may be, of existing, training centers in the Project Area.
- (vii) Construction, upgrading and rehabilitation, as the case may be, of workshops, district health offices and drug warehouses in the Project Area.
- (viii) Provision of equipment, furniture, supplies, vehicles, drugs, insecticides, and operation and maintenance costs in the Project Area.

Part B: Decentralization and Resource Mobilization

Implementation, on a pilot basis, of the decentralization and resource mobilization measures under the Health Policy Statement, including technical assistance, studies and training.

Part C: Sector Management Improvement

- (i) Strengthening of the health sector both at the center and local government level in project planning, design, management and implementation capabilities, as the case may be.
- (ii) Enhancement of the intersectoral coordination amongst the central governments' health agencies, the local governments' health agencies, and the concerned Ministries in the planning, design, management and implementation of projects.
- (iii) Provision of technical assistance, training, vehicles, office facilities and equipment, staffing and operational and maintenance costs.

* * * * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 1, 1994	800,000
April 1, 1995	830,000
October 1, 1995	860,000
April 1, 1996	895,000
October 1, 1996	930,000
April 1, 1997	965,000
October 1, 1997	1,000,000
April 1, 1998	1,040,000
October 1, 1998	1,080,000
April 1, 1999	1,120,000
October 1, 1999	1,160,000
April 1, 2000	1,205,000
October 1, 2000	1,255,000
April 1, 2001	1,300,000
October 1, 2001	1,350,000
April 1, 2002	1,400,000
October 1, 2002	1,455,000
April 1, 2003	1,510,000
October 1, 2003	1,570,000
April 1, 2004	1,630,000
October 1, 2004	1,690,000
April 1, 2005	1,755,000
October 1, 2005	1,825,000
April 1, 2006	1,895,000
October 1, 2006	1,965,000

April 1, 2007	2,040,000
October 1, 2007	2,120,000
April 1, 2008	2,200,000
October 1, 2008	2,285,000
April 1, 2009	2,370,000

* 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 D hereof, goods and works 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Contracts for civil works estimated to cost the equivalent of \$2,500,000 each or less and in the aggregate not to exceed \$12,700,000 equivalent may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Goods, except vehicles, estimated to cost in the aggregate the equivalent of \$4,500,000 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 goods estimated to cost in the aggregate the equivalent of \$300,000 or less may be procured under contracts awarded through international and local shopping on the basis of evaluation and comparison of bids invited from at least three qualified suppliers eligible under the Guidelines.

Part E: 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 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 15% 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 adopt and thereafter implement the following health sector policies, satisfactory to the Bank, in the Project Area: (a) strengthen preventive and promotive health activities, including their referrals and improve the quality and coverage of health services; and (b) on a pilot basis, decentralize integrated planning and budgeting, and resource mobilization in the health sector. Such policies shall be implemented pursuant to an overall Action Plan and annual action plans satisfactory to the Bank. For such purposes, on October 30 of each year, commencing on October 30, 1989 and thereafter until the completion of the Project, the Borrower shall, and shall cause each local government in the Project Area to, prepare and furnish to the Bank, for its review and comments, proposed annual action plan and timetable for the forthcoming year, and, thereafter, carry out, and cause to be carried out, such action plan in substance and manner satisfactory to the Bank.

2. On October 30 of each year, commencing on October 30, 1989, the Borrower shall, and shall cause each local government in the Project Area to, prepare and furnish to the Bank, for its review and comments, a detailed annual integrated health plan and budget for such parts of the Project under their implementation during the following Borrower's Fiscal Year, and thereafter, taking into account the Bank's comments, if any, carry out such annual work plan and budgetary allocations. Provided, however, that commencing on October 30, 1990 and, thereafter, the said annual work plan shall include a retrospective review of the Project implementation of the previous year's work plans and budgetary allocations.

3. The Borrower shall, or shall cause each local government in the Project Area to, appoint in the center and in each province in the Project Area, as the case may be, Project Secretariats, each to be headed by a full-time officer with qualifications and experience satisfactory to the Bank, each assigned with such powers, functions, funds and supportive staff and facilities as shall be required to enable each of them to carry out the various activities under the Project within their respective jurisdictions.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, all 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 \$2,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has

provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

