

CONFORMED COPY

LOAN NUMBER 3588 IND

(Groundwater Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated May 26, 1993

LOAN NUMBER 3588 IND

LOAN AGREEMENT

AGREEMENT, dated May 26, 1993, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and

Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Annual Provincial Project Work Program" means the program, agreed between the Borrower and the Bank, of Project activities to be carried out in a Project Province during a Fiscal Year;

(b) "Bank Indonesia" means the Borrower's central bank;

(c) "BAPPEDA" means any one of the Borrower's Provincial Development Planning Agencies in the Project Area;

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

(e) "Deep Tubewell" means a tubewell facility with a tubewell depth in the range of about 70 to 110 meters, located in an area where groundwater conditions are not suitable for suction mode pumping, and where, therefore, the tubewell is equipped with a vertical shaft turbine pump powered by a diesel motor;

(f) "DGFCFA" means the Directorate General of Food Crops Agriculture in the Borrower's Ministry of Agriculture;

(g) "DGWRD" means the Directorate General of Water Resources Development in the Borrower's Ministry of Public Works;

(h) "Expansion Area" means an area where there is an existing groundwater development and where additional groundwater development is proposed, but where the performance of the existing groundwater development and the availability of reliable groundwater resources for the additional development remains to be evaluated to the satisfaction of the Bank;

(i) "Fiscal Year" means the Borrower's fiscal year commencing April 1 and ending March 31;

(j) "Houseyard Irrigation" means a facility, using a Project tubewell water source, for irrigation for productive purposes of the yard surrounding a residential dwelling;

(k) "Intermediate Tubewell" means a tubewell facility with a tubewell depth in the range of about 40 to 70 meters, located in an area where groundwater conditions are suitable for suction mode pumping, and where, therefore, the tubewell is equipped with a centrifugal pump powered by a diesel motor;

(l) "PRAS" means any one of the Borrower's Provincial Agriculture Services in the Project Area;

(m) "PRIS" means any one of the Borrower's Provincial Water Resources Development Services in the Project Area;

(n) "Project Area" means the Borrower's provinces of Aceh,

North Sumatra, West Sumatra, Lampung, East Java, West Java, North Sulawesi, Central Sulawesi, South Sulawesi, East Nusa Tenggara (West Timor), and West Nusa Tenggara; and "Project Province" means any one of such provinces;

(o) "Shallow Tubewell" means a tubewell facility with a tubewell depth of about 30 meters and for which, therefore, shallow boreholes can be hand-drilled, located in an area where groundwater conditions are suitable for suction mode pumping, and where, therefore, the tubewell is equipped with a centrifugal pump powered by a diesel or kerosene motor; and

(p) "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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of fifty four million dollars (\$54,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in United States Dollars a special deposit account in Bank 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, 1999, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 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 Part A of the Project through DGFCA and DGWRD, Parts B, C and E of the Project through DGWRD, Part D of the Project through DGFCA, Part F of the Project through DGFCA, DGWRD, PRAS and PRIS, and Part G of the Project through DGWRD and PRIS, with due diligence and efficiency and in conformity with appropriate administrative, agricultural, environmental, financial and technical 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## ARTICLE V

### Termination

Section 5.01. 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 Directorate General of Budget  
Jalan Lapangan Banteng Timur 2-4  
P. O. Box 139  
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY  
Jakarta

45799 DJMLN-IA  
44319 DEPKEU-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.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji  
Regional Vice President  
East Asia and Pacific

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:

Amount of the Loan Allocated (Expressed in	% of Expenditures
--------------------------------------------------	----------------------

Category	Dollar Equivalent)	to be Financed
(1) Civil works:		40%
(a) Part B of the Project	10,200,000	
(b) Part G of the Project	300,000	
(2) Equipment and materials:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(a) Parts B and D of the Project	22,200,000	
(b) Parts F and G of the Project	500,000	
(3) Survey, investigation and design services under Part A of the Project	700,000	91%
(4) Agricultural support under Part D of the Project	800,000	91%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Institutional support under Parts E, F and G of the Project	2,800,000	50%
(6) Operation and maintenance under Part C of the Project	1,500,000	50%
(7) Studies under Parts A, B, D and G of the Project	500,000	100%
(8) Training under Parts C, D, E, F and G of the Project	1,400,000	91%
(9) Consultants' services	9,100,000	100%
(10) Unallocated	4,000,000	
TOTAL	54,000,000	

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;

(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;

(c) the term "agricultural support" means expenditures for additional staff employed for the purposes of the Project, rental of office space and cost of related operation and maintenance, and crop seeds for demonstration; and

(d) the term "institutional support" means expenditures for additional staff employed for the purposes of the Project, transportation allowances, honoraria, rental of office space and cost of related operation and maintenance.

3. 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, except that withdrawals, in an aggregate amount not to exceed \$2,000,000, may be made on account of payments made for expenditures in respect of Categories (2), (3) and (5) before that date but after February 14, 1993; and

(b) payments made for expenditures in a Project Province in respect of Categories (1)(a) and (2)(a):

(i) after June 30, 1994, until the Bank has received evidence, satisfactory to the Bank, that the Borrower has made budgetary allocations for Fiscal Year 1994/1995, which provide adequate financing to carry out the Annual Provincial Project Work Program for the respective Project Province;

(ii) after June 30, 1995, until the Bank has received evidence, satisfactory to the Bank, that the Borrower has made budgetary allocations for Fiscal Year 1995/1996, which provide adequate financing to carry out the Annual Provincial Project Work Program for the respective Project Province;

(iii) after June 30, 1996, until the Bank has received evidence, satisfactory to the Bank, that the Borrower has made budgetary allocations for Fiscal Year 1996/1997, which provide adequate financing to carry out the Annual Provincial Project Work Program for the respective Project Province;

(iv) after June 30, 1997, until the Bank has received evidence, satisfactory to the Bank, that the Borrower has made budgetary allocations for Fiscal Year 1997/1998, which provide adequate financing to carry out the Annual Provincial Project Work Program for the respective Project Province; and

(v) after June 30, 1998, until the Bank has received evidence, satisfactory to the Bank, that the Borrower has made budgetary allocations for Fiscal Year 1998/1999, which provide adequate financing to carry out the Annual Provincial Project Work Program for the respective Project Province.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to support the Borrower's efforts to (i) develop groundwater for irrigation and, where appropriate, domestic water supply and Houseyard Irrigation facilities in the Project Area using technology that can be sustained by the beneficiaries with limited public sector support; (ii) improve the quality of nutrition and alleviate poverty in the Project Area; (iii) strengthen the capacity and coordination of the agencies responsible for groundwater development for irrigated agriculture and other uses in the Project Area; (iv) strengthen the monitoring, evaluation and regulation of groundwater resources; and (v) encourage the participation of women in Project activities.

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: Surveys, Investigations and Designs

1. Carrying out of (i) surveys, investigations and environmental assessments of the groundwater and land resources, including water quality and quantity; and (ii) surveys and investigations of socio-economic factors, including present and future agricultural productivity, markets, land ownership, incidence of poverty, and potential beneficiary interest in participating in the development of the Project Area, to determine the location and the type of facilities for each proposed groundwater development area, and provision of related technical assistance.

2. Carrying out of designs for the construction of Intermediate Tubewell facilities and Deep Tubewell facilities, and, where appropriate, domestic water supply and Houseyard Irrigation facilities, in selected groundwater development areas, and provision of related technical assistance.

#### Part B: Construction of Groundwater Facilities

1. Construction of Intermediate Tubewell facilities for groundwater irrigation and, where appropriate, domestic water supply and Houseyard Irrigation facilities, in the Project Area in accordance with the designs carried out under Part A.2 of the Project, and provision of related equipment, materials and technical assistance.

2. Construction of Deep Tubewell facilities for groundwater irrigation and, where appropriate, domestic water supply and Houseyard Irrigation facilities, in East Java, West Java, Lampung and West Nusa Tenggara (Lombok), and in such other Project Provinces as agreed with the Bank, in accordance with the designs carried out under Part A.2 of the Project, and provision of related equipment, materials and technical assistance.

#### Part C: Initial Support for Operation and Maintenance of Tubewell Facilities

Provision of operation and maintenance support to the water user associations, established to manage, operate and maintain a tubewell facility, for a period of two years after the commissioning of the relevant tubewell facility, including training, provision of financing for operation and maintenance of the tubewell facility, and provision of related technical assistance.

#### Part D: Agricultural Development

1. Provision of agricultural support services in groundwater irrigation to DGFCA and PRAS, including employment of additional staff, provision of office equipment, establishment of demonstration plots, enhancement of the participation of women, training of staff, and provision of related technical assistance; and provision of training to farmer groups in tubewell command areas in irrigation, house garden enterprises, and development of marketing arrangements for high value crops.

2. Carrying out of a pilot program of construction of Shallow Tubewell facilities in the Project Area, and provision of related technical assistance.

3. Preparation of agricultural action plans focussed on groundwater development in the Project Area and provision of related technical assistance.

#### Part E: Community Participation

Provision of services to communities to enhance their participation in the development process of groundwater irrigation under the Project, including establishment and training of water user associations, and provision of equipment and technical

assistance.

Part F: Institutional Support

Strengthening DGFCFA, DGWRD, PRAS and PRIS through employment of additional staff, provision of training to staff in (i) the planning, programming and design of groundwater facilities, (ii) the monitoring and evaluation of the performance of completed groundwater facilities, and (iii) inter-agency coordination; and provision of office equipment and materials, and technical assistance.

Part G: Groundwater Resource Management

Strengthening PRIS in the evaluation and monitoring of groundwater resources through provision of equipment and materials, training of staff, the carrying out of a study on technical organizational requirements in East Java, and provision of related technical assistance.

\* \* \*

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 15, 1998	1,010,000
May 15, 1999	1,045,000
November 15, 1999	1,085,000
May 15, 2000	1,125,000
November 15, 2000	1,170,000
May 15, 2001	1,210,000
November 15, 2001	1,255,000
May 15, 2002	1,305,000
November 15, 2002	1,350,000
May 15, 2003	1,400,000
November 15, 2003	1,455,000
May 15, 2004	1,510,000
November 15, 2004	1,565,000
May 15, 2005	1,620,000
November 15, 2005	1,680,000
May 15, 2006	1,745,000
November 15, 2006	1,810,000
May 15, 2007	1,875,000
November 15, 2007	1,945,000
May 15, 2008	2,020,000
November 15, 2008	2,095,000
May 15, 2009	2,170,000
November 15, 2009	2,250,000
May 15, 2010	2,335,000
November 15, 2010	2,425,000
May 15, 2011	2,515,000
November 15, 2011	2,605,000
May 15, 2012	2,705,000
November 15, 2012	2,805,000
May 15, 2013	2,915,000

---

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

Pursuant to Section 3.04 (b) of the General Conditions, the

premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years 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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency components of the bid price. Such an increase shall not be taken into account in the bid evaluation.

###### 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. 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. Irrigation equipment and materials estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount equivalent to \$900,000, and, subject to the provisions of paragraph 3 below, office and survey equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Bank.

3. Office and survey equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Survey, investigation and design services may be procured through direct contracting in accordance with procedures acceptable to the Bank, or may be carried out by force account.

#### 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 equipment and materials estimated to cost the equivalent of \$200,000 or more, and each contract for civil works estimated to cost the equivalent of \$1,000,000 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 subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall, by September 30, 1993, 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 (the Consultant Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000

equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

1. Without limitations upon the provisions of Section 3.01 (a) of this Agreement, the Borrower shall carry out Part A of the Project in accordance with procedures and criteria acceptable to the Bank.

2. The Borrower shall, in carrying out Part B the Project, furnish to the Bank:

(a) by September 30 of each year, commencing September 30, 1993, for its approval, a proposed Annual Provincial Project Work Program for each Project Province, including cost estimates, for the following Fiscal Year; and

(b) by December 31 of each year, commencing December 31, 1993, for its review and comments, budget proposals for the agreed Annual Provincial Project Work Programs.

3. In carrying out Part B of the Project, the Borrower shall, before carrying out works in an Expansion Area, furnish to the Bank evidence, satisfactory to the Bank, that:

(i) existing tubewells in the Expansion Area have been monitored and evaluated and found to satisfy performance criteria agreed with the Bank; and

(ii) sufficient dependable groundwater resources are available to sustain such additional development.

4. In carrying out Part C of the Project, the Borrower shall enter into an agreement with each relevant water user association whereby such water user association agrees to carry out effective operation and maintenance of the relevant Project groundwater facility, including bearing the cost of operation and maintenance.

5. Without limitations upon the provisions of Section 3.01 (a) of this Agreement, the Borrower shall, in carrying out Part D of the Project, take all actions necessary to ensure that agricultural extension services, satisfactory to the Bank, are provided to beneficiaries of the Project.

6. The Borrower shall, not later than June 30 in each year, commencing June 30, 1994, carry out a review of the implementation of the Project, in consultation with the Bank, and shall, thereafter, take into account the results of such review when preparing the Annual Provincial Project Work Programs for the following Fiscal Year.

7. The Borrower undertakes to acquire the vehicles required for Project implementation in accordance with a schedule and timetable agreed with the Bank.

8. The Borrower shall cause BAPPENAS to undertake the overall coordination of the Project activities until completion of the Project.

9. The Borrower shall cause each BAPPEDA in the Project Area to undertake, until completion of the Project, the coordination of the Project activities to be carried out within its respective jurisdiction.

#### SCHEDULE 6

## Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) 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 \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the

Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

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

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

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

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

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

