

CONFORMED COPY

LOAN NUMBER 3721 IND

Loan Agreement

(Skills Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated April 26, 1994

§

LOAN NUMBER 3721 IND

LOAN AGREEMENT

AGREEMENT, dated April 26, 1994, 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;

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) "APINDO" means Asosiasi Pengusaha Indonesia, the Indonesian Employers' Association;
- (b) "KADIN" means Kamar Dagang dan Industri Indonesia, the Indonesian Chambers of Commerce and Industry; and
- (c) "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 twenty seven million seven hundred thousand dollars (\$27,700,000), 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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 or in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 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 June 15 and December 15 in each year.

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A of the Project

in East Java, West Java and North Sumatra through the East Java Provincial Training Fund, the West Java Provincial Training Fund and the North Sumatra Provincial Training Fund, respectively, and shall carry out Part B of the Project through its Ministry of Manpower, all with due diligence and efficiency and in conformity with appropriate administrative, financial and training 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 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 2458  
Jakarta, 10710, Indonesia

Cable address:

FINMINISTRY  
Jakarta

Telex:

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:

INTBAFRAD  
Washington, D.C.

Telex:

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/ Arifin M. Siregar  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug  
Acting 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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment (excluding vehicles)	1,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(2) Overseas fellowships under Part B.3 of the Project	1,600,000	100%
(3) Training under Parts A.5, B.2 and B.3 of the Project	1,500,000	70%
(4) Entrepreneur training services under Part B.1 of the Project	500,000	50%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Provincial Training Fund:		
(a) training services under Part A.1 through A.4 of the Project	11,100,000	70%
(b) technical services under Part A.1 through A.4 of the Project	4,800,000	100%
(6) Consultants' services	5,300,000	100%
(7) Unallocated	1,500,000	

TOTAL

27,700,000

2. For the purposes of this Schedule:

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

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

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

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments made for expenditures in respect of Category (1) until the Bank has received evidence, satisfactory to the Bank, that the Borrower has acquired two vans for each of the Provincial Project Implementation Units in the Provinces of East Java, West Java and North Sumatra.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods not exceeding \$200,000 equivalent and contracts for services not exceeding \$100,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are (i) to develop and implement innovative industrial skills training schemes in private enterprises in the provinces of East Java, West Java and North Sumatra for possible replication in other provinces in the future, as part of an overall training program to promote productivity and efficiency of the economy; (ii) to support a special training program for unemployed university graduates in the provinces of Bali, East Java, West Java, South Sulawesi and North Sumatra, to promote the establishment of new small businesses; and (iii) to strengthen policy making, research, planning and management capabilities of the Borrower's Ministry of Manpower.

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: Provincial Component (East Java, West Java and North Sumatra Provinces)

1. Company Group Training Services

Provision of technical assistance, training and related equipment and instructional materials, to private enterprises for the establishment of company group training units for clusters of private enterprises, to assist in identifying training needs of such enterprises, prepare training plans, implement staff training with emphasis on training of managers, supervisors, technicians and maintenance staff, and evaluate training programs, especially for their effort in increasing productivity.

2. Individual Company Training Services

Provision of technical assistance, training and related instructional materials, to private enterprises for the employment of new training managers to assist enterprises in the carrying out of efficient, effective and high quality staff training, with emphasis on training of managers, supervisors, technicians and maintenance staff; and provision of technical assistance to KADIN and APINDO in the carrying out of promotional activities of industrial training.

### 3. Targeted Training of Job-Seekers

Provision of employment related training courses for unemployed persons having obtained an agreement by an enterprise of employment after graduation from training.

### 4. Small Enterprise Training and Advisory Services

Provision of technical assistance, management training, and related instructional materials to selected small-scale manufacturing enterprises, and provision of industrial training services to groups of small-scale manufacturing enterprises with similar training needs, to promote a continuous and systematic training as a means of human resource development and sustainable growth of the enterprise.

### 5. Training of Public and Private Officials

Provision of domestic and short-term overseas industrial training to staff of employers' organizations, staff of associations of private training institutes, provincial public officials involved in industrial skills development, and provincial staff of the Ministry of Cooperatives and Small Scale Enterprises, Ministry of Industry and Ministry of Manpower.

## PART B: Ministry of Manpower Component

### 1. Young Professionals Entrepreneurship Development Program

(a) Provision of short-term and medium-term training in small business ownership and management to unemployed university graduates in the provinces of Bali, East Java, West Java, South Sulawesi and North Sumatra; and provision of technical assistance during the year of start-up of the new business.

(b) Development of an information system for self-employment to serve the needs of entrepreneurs and support organizations interested in entrepreneur development.

(c) Establishment of private sector management committees and coordination units in the provinces of Bali, East Java, West Java, South Sulawesi and North Sumatra to assist in the implementation of the development program, and provision of related technical assistance, equipment and materials.

### 2. Local Labor Market Information System

(a) Provision of technical assistance and training for the development of an information system to analyze the labor market and design, monitor and evaluate labor market policies and programs, and disseminate relevant reports at national and provincial levels, and the establishment of demonstration systems in the provinces of East Java, West Java, North Sumatra and South Sulawesi, and provision of related equipment.

(b) Carrying out of a program for the development of the capacity of thirteen district manpower offices in the provinces of East Java, West Java, North Sumatra and South Sulawesi to improve registration and placement services to employers and job-seekers, and provision of related equipment.



3. Staff Development

Provision of local training and overseas fellowships in policy development, management and research for staff of the Borrower's Ministry of Manpower, and provision of related technical assistance.

4. Preparation of a Provincial Training Fund Scheme for South Sulawesi

Carrying out of studies and surveys for the preparation of a provincial training fund scheme, and provision of related training to provincial staff.

5. Studies

Carrying out of evaluation studies of the training provided under Parts A and B.1 of the Project.

6. Technical Audit

Provision of technical assistance for the carrying out of technical audits of the training services provided under Parts A and B.1 of the Project.

\* \* \*

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 15, 1999	525,000
June 15, 2000	545,000
December 15, 2000	565,000
June 15, 2001	585,000
December 15, 2001	605,000
June 15, 2002	625,000
December 15, 2002	650,000
June 15, 2003	675,000
December 15, 2003	700,000
June 15, 2004	725,000
December 15, 2004	750,000
June 15, 2005	775,000
December 15, 2005	805,000
June 15, 2006	835,000
December 15, 2006	865,000
June 15, 2007	895,000
December 15, 2007	930,000
June 15, 2008	965,000
December 15, 2008	1,000,000
June 15, 2009	1,035,000
December 15, 2009	1,070,000
June 15, 2010	1,110,000
December 15, 2010	1,150,000
June 15, 2011	1,195,000
December 15, 2011	1,235,000
June 15, 2012	1,280,000
December 15, 2012	1,330,000
June 15, 2013	1,375,000
December 15, 2013	1,425,000
June 15, 2014	1,475,000

\*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

Part A: Procurement Procedures

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

2. Equipment estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount equivalent to \$430,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures acceptable to the Bank.

Part B: 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 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 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 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). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the 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 or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above. It shall also not apply to first contract by each province under Part A of the Project, and to all contracts under Parts B.3, B.4, B.5 and B.6 of the Project.

## SCHEDULE 5

### Implementation Program

1. The Borrower shall cause each Provincial Training Fund to carry out Part A of the Project in accordance with operating procedures and eligibility criteria satisfactory to the Bank.

2. In carrying out Part A of the Project, the Borrower shall: (i) not later than December 31, 1996, furnish to the Bank for its comments a proposal for the establishment of a scheme for the financing, through levies on employers and use of such levies as grants from the provincial training funds, of training of staff of manufacturing enterprises in the provinces of West Java and North Sumatra, and for the amendment of the scheme in East Java; and (ii) not later than June 30, 1997, cause the provinces of East Java, West Java and North Sumatra to implement an employer levy-grant scheme taking into account the Bank's comments on the criteria for such scheme.

3. In carrying out Part B.1 of the Project, the Borrower shall, not later than August 31, 1994, prepare and furnish to the Bank for comments, a detailed action plan for the implementation of the young professionals entrepreneurship development program.

4. In carrying out Part B.1 (a) of the Project, the Borrower shall, not later than September 30, 1994, establish a guaranteed loan repayment scheme for graduates having completed the short-term or the medium-term training, in accordance with criteria acceptable to the Bank, including loans for capital for the development of small businesses of up to Rupiah 2 million for graduates of the short-term training and Rupiah 5 million for graduates of the medium-term training.

5. In carrying out Part B.1 (c) of the Project, the Borrower shall cause the provincial private sector management committees and provincial coordination units in the provinces of Bali, East Java, West Java, North Sumatra and South Sulawesi to be established not later than August 31, 1994.

6. In carrying out Part B.3 of the Project, the Borrower shall identify posts to which selected candidates for long-term training will be assigned upon their return from such training.

7. In carrying out Part B.3 of the Project, the Borrower shall furnish to the Bank for comments the criteria for selection of the candidates for fellowships.

8. In carrying out Part B.5 of the Project, the Borrower shall, not later than June 30, 1995, furnish to the Bank for comments, the terms of reference for the two evaluation studies, and not later than December 31, 1995 and December 31, 1996, carry out such studies and furnish to the Bank for review, the recommendations of such studies.

9. In carrying out Part B.6 of the Project, the Borrower shall:

(a) cause technical audits, acceptable to the Bank, to be carried out every six months during the implementation of the Project, commencing not later than February 1, 1995; and

(b) promptly thereafter, furnish to the Bank, for information, a copy of such audits.

#### SCHEDULE 6

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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 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.

