

CONFORMED COPY

LOAN NUMBER 3825 IND

Loan Agreement

(Second Professional Human Resource Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 11, 1995

LOAN NUMBER 3825 IND

LOAN AGREEMENT

AGREEMENT, dated January 11, 1995, 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) "BAPPEDA" means any of the Borrower's Regional Development Planning Agencies;

(b) "BAPPENAS" means the Borrower's National Development Planning Board;

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

(d) "Link Programs" means programs established by the Overseas Training Office and the Science and Technology for Industrial Development PIUs, to improve institutional coordination between domestic and overseas universities in selected fields of study;

(e) "Loan 3134-IND" means the Loan Agreement for the Professional Human Resources Development between the Republic of Indonesia and the Bank dated December 18, 1989;

(f) "NASTOT" means the Borrower's National Steering Team for Overseas Training established in BAPPENAS;

(g) "Overseas Training Office" means the Borrower's Overseas Training Office established in BAPPENAS;

(h) "Science and Technology for Industrial Development PIUs" means the Borrower's Project implementation units serving government research institutes and coordinated and managed by the Borrower's Agency for the Assessment and Application of Technology (BPPT); and

(i) "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 sixty nine million dollars (\$69,000,000), 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 may, 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 September 30, 2000, 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 March 1 and September 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 carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, educational and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of 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 six 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, or customs certificates, as appropriate) 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:

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/ Arifin M. Siregar  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell Cheetham  
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)	Overseas fellowships and training	51,600,000	100%
(2)	Domestic fellowships and training	4,000,000	50%
(3)	Pre-departure training and expenses	3,900,000	80%
(4)	Fellowship management costs	3,100,000	100%
(5)	Link Programs development	1,300,000	50%
(6)	Studies and research	1,300,000	80%
(7)	Consultants' services	900,000	80%
(8)	Unallocated	2,900,000	
	TOTAL	69,000,000	

2. For the purposes of this Schedule:

(a) the term "pre-departure expenses" means expenditures for in-country travel, per diem, honoraria and fees;

(b) the term "fellowship management costs" means expenditures for fees to educational exchange organizations managing fellowships under the Project, and travel and per diem costs for staff of the Overseas Training Office, Ministry of Finance, and Science and Technology for Industrial Development PIUs; and

(c) the term "Link Programs development" means expenditures for honoraria, travel and per diem for university staff and staff of the Overseas Training Office and the Science and Technology for Industrial Development PIUs involved in the development of a Link Program.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

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 the employment of consulting firms not exceeding \$100,000 equivalent, and contracts for the employment of individual consultants not exceeding \$50,000 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 to foster economic development and industrialization and assist the Borrower in the implementation of its policies of deregulation and decentralization through the upgrading of the quality of professional, technical, managerial, and science and technology staff in key government ministries and agencies at the local and national levels and, on a limited scale, in the private sector.

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: Fellowships and Training

##### 1. Domestic and Overseas Graduate Degree Programs

###### (a) Overseas Training Office

Provision of about 49 domestic and about 107 overseas fellowships for graduate education and training in development planning, policy analysis and development management to selected staff of the Borrower's ministries and agencies, BAPPEDA, and selected universities and non-governmental organizations.

###### (b) Ministry of Finance

Provision of about 65 domestic and about 120 overseas fellowships for graduate education and training in finance and monetary policy, economic planning, financial management, and international trade to selected staff of the Borrower's Ministry of Finance, Ministry of Industry, Ministry of Trade, Ministry of Foreign Affairs, and BKPM (Investment Coordinating Board).

###### (c) Science and Technology for Industrial Development PIUs

Provision of about 130 domestic and about 130 overseas

fellowships to civil servants from the Borrower's BAKOSURTANAL (National Agency for Survey and Mapping), BATAN (National Agency for Atomic Energy), BPPT (Agency for the Assessment and Application of Technology), BPS (Central Bureau of Statistics), LAPAN (National Institute for Aeronautics), LIPI (National Institute of Sciences), BPIS (Coordinating Agency for Strategic Industries), and the research and development centers of the Ministries of Agriculture and Industry, for master's and doctorate degree programs in science and technology related to economic and industrial development and in line with the national development objectives.

(d) Provision of fellowships for graduate education programs to about 102 doctoral, about 138 master's and about 185 bachelor's degree civil servant fellows having initiated, but not completed, such studies under Loan 3134-IND.

## 2. Domestic and Overseas Non-degree Programs

### (a) Overseas Training Office

Provision of about 1,085 domestic and about 50 overseas non-degree fellowships in regional development planning and management techniques to district level staff of BAPPEDA and to instructors to upgrade their teaching capability of such courses.

### (b) Ministry of Finance

(i) Provision of about 75 domestic non-degree fellowships for studies in taxation, tax auditing, property appraisal, capital markets and bank supervision to civil servants from the Borrower's Ministry of Finance, Ministry of Industry, Ministry of Trade, Ministry of Foreign Affairs, and BKPM (Investment Coordinating Board), having a bachelor's degree and employed as junior researchers, junior trainers and structural staff up to Echelon IV.

(ii) Provision of about 60 overseas non-degree fellowships for refresher courses to civil servants, including returnees who have completed about 3 years of work since their return from overseas studies, and are employed as trainers, researchers, and structural policy-making staff at Echelons III and IV in the Borrower's Ministry of Finance, Ministry of Industry, Ministry of Trade, Ministry of Foreign Affairs, and BKPM (Investment Coordinating Board).

### (c) Science and Technology for Industrial Development PIUs

(i) Provision of about 50 domestic non-degree fellowships to civil servants from the Borrower's BAKOSURTANAL (National Agency for Survey and Mapping), BATAN (National Agency for Atomic Energy), BPPT (Agency for the Assessment and Application of Technology), BPS (Central Bureau of Statistics), LAPAN (National Institute for Aeronautics), LIPI (National Institute of Sciences), BPIS (Coordinating Agency for Strategic Industries), and the research and development centers of the Ministries of Agriculture and Industry, for studies in management and technical skills, among others personnel management, quality assurance and energy conservation.

(ii) Provision of about 50 overseas non-degree fellowships to civil servants from the Borrower's BAKOSURTANAL (National Agency for Survey and Mapping), BATAN (National Agency for Atomic Energy), BPPT (Agency for the Assessment and Application of Technology), BPS (Central Bureau of Statistics), LAPAN (National Institute for



Aeronautics), LIPI (National Institute of Sciences), BPIS (Coordinating Agency for Strategic Industries), and the research and development centers of the Ministries of Agriculture and Industry, for studies in advanced technical skills not available in Indonesia, among others aeronautics, industrial pollution control and biotechnology.

### 3. Graduate Link Programs

#### (a) Overseas Training Office

Development of a Link Program between domestic and overseas universities for about 10 fellows selected from staff of the Borrower's ministries and agencies, BAPPEDA, and selected universities, for graduate education in development planning, policy analysis and development management at one or more domestic universities; and strengthening of graduate studies in development planning, policy analysis and development management at domestic universities.

#### (b) Science and Technology for Industrial Development PIUs

Development of four Link Programs between domestic and overseas universities covering about 10 doctorate fellowships and about 51 master's fellowships for staff from the Borrower's BAKOSURTANAL (National Agency for Survey and Mapping), BATAN (National Agency for Atomic Energy), BPPT (Agency for the Assessment and Application of Technology), BPS (Central Bureau of Statistics), LAPAN (National Institute for Aeronautics), LIPI (National Institute of Sciences), BPIS (Coordinating Agency for Strategic Industries), and the research and development centers of the Ministries of Agriculture and Industry, to improve institutional coordination and develop additional science and technology graduate education capacity at universities that is relevant for research institutes and industry.

### 4. Overseas Fellowships for Recent Domestic Bachelor's Degree (S1) Graduates

#### (a) Overseas Training Office

Provision of about 30 overseas fellowships to recent domestic bachelor's degree graduates not currently employed, for graduate studies in development planning, policy analysis and development management areas, where specific high quality programs are not available in Indonesia.

#### (b) Ministry of Finance

Provision of about 30 overseas fellowships to recent domestic bachelor's degree graduates not currently employed, for graduate studies in finance and monetary policy, economic planning, financial management, and international trade, where specific high quality programs are not available in Indonesia.

#### (c) Science and Technology for Industrial Development PIUs

Provision of about 30 overseas graduate degree fellowships to recent domestic bachelor's degree graduates not currently employed, for graduate studies in science and technology, management and technical skills relevant to industrial development, where specific high quality programs are not available in Indonesia.

### 5. Improved Utilization of Civil Service Returnees from Domestic and Overseas Graduate Fellowship Programs

Strengthening of applicable personnel policies to improve the re-entry and the utilization of civil service returnees in

the relevant ministries and the non-departmental government research institutes.

6. Overseas Fellowship Services to Public and Private Firms

Provision of services, including testing, placement and monitoring, to public and private firms sending employees overseas for degree and non-degree training at the firm's expense.

7. Technical Assistance and Studies

(a) Provision of technical assistance to the Overseas Training Office and the Science and Technology for Industrial Development PIUs, for supporting the coordination of language training, testing and selection procedures, re-entry and Link Programs development, and Project management.

(b) Provision of technical assistance for the carrying out of technical audits of Project activities.

(c) Carrying out of studies by the Overseas Training Office, Ministry of Finance, and the Science and Technology for Industrial Development PIUs, on the efficient utilization of the capabilities of returnees from fellowship programs, and on the impact of fellowships on the performance and contributions of returnees.

PART B: National Steering Team for Overseas Training

Strengthening the capacity of NASTOT to formulate policy, coordinate civil service fellowship programs, monitor the pilot fellowship programs for recent domestic bachelor's degree graduates, and undertake studies and activities on a merit-based national fellowship scheme, including provision of research activities, study tours, and technical assistance.

\* \* \*

The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 1, 2000	1,325,000
March 1, 2001	1,375,000
September 1, 2001	1,420,000
March 1, 2002	1,470,000
September 1, 2002	1,525,000
March 1, 2003	1,580,000
September 1, 2003	1,635,000
March 1, 2004	1,690,000
September 1, 2004	1,750,000
March 1, 2005	1,815,000
September 1, 2005	1,880,000
March 1, 2006	1,945,000
September 1, 2006	2,015,000
March 1, 2007	2,085,000
September 1, 2007	2,160,000
March 1, 2008	2,235,000
September 1, 2008	2,315,000
March 1, 2009	2,400,000
September 1, 2009	2,485,000
March 1, 2010	2,570,000
September 1, 2010	2,665,000
March 1, 2011	2,760,000
September 1, 2011	2,855,000

March 1, 2012	2,955,000
September 1, 2012	3,060,000
March 1, 2013	3,170,000
September 1, 2013	3,285,000
March 1, 2014	3,400,000
September 1, 2014	3,520,000
March 1, 2015	3,655,000

\*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

##### Consultants' Services

##### 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 (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to (i) the terms of reference for such contracts, (ii) single-source selection of consulting firms, (iii) assignments of a critical nature, as reasonably determined by the Bank, (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

1. In carrying out Part A.1 (a), (b) and (c) and A.2 of the Project, the Borrower shall, not later than April 30, 1995, furnish to the Bank criteria and procedures, acceptable to the Bank, for the selection of candidates for domestic and overseas fellowships.

2. In carrying out Part A.4 of the Project, the Borrower shall, not later than April 30, 1995, furnish to the Bank procedures, acceptable to the Bank, for the selection of candidates and the placement of returnees.

3. In carrying out Parts A.1 through A.4 of the Project, the Borrower shall, not later than April 30, 1995, establish the administrative arrangements for overseas fellowships.

4. In carrying out Parts A.7 and B of the Project, the Borrower shall, not later than April 30, 1995, employ consultants in accordance with the provisions of Schedule 4 to this Agreement.

5. In carrying out Part A.7 (b) of the Project, the Borrower shall:

(a) cause technical audits to be carried out annually on the implementation of selection criteria and procedures under the Project, in a manner acceptable to the Bank, during the implementation of the Project, commencing not later than April 1, 1996; and

(b) annually, commencing not later than July 1, 1996, furnish to the Bank, for comments, a copy of such audits.

6. In carrying out Part A.7 (c) of the Project, the Borrower shall furnish the findings and recommendations of the studies to the Bank for comments:

(a) by September 30, 1997 and by December 31, 1999, for the first and second study, respectively, relating to the domestic and overseas graduate program returnees and the BAPPEDA Level II training program; and

(b) by March 31, 1999, for the impact study of returnees from the Program for Recent Domestic Bachelor's Degree Graduates.

7. In carrying out Part B of the Project, the Borrower shall,

not later than April 30, 1995, appoint at least one additional professional staff to the Secretariat of NASTOT.

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

(a) not later than September 30, 1997, carry out a study on the establishment of a competitive national fellowship scheme, and furnish the findings and the recommendations of the study to the Bank for comments; and

(b) promptly thereafter, prepare an action plan on the establishment of such a scheme, taking into account the comments of the Bank on the recommendations of the study.

9. The Borrower shall, not later than March 31 in each year, commencing March 31, 1996, and until completion of the Project, prepare and furnish to the Bank for comments an annual Project implementation plan for the following Fiscal Year; and, thereafter, carry out such plan taking into account the comments of the Bank thereon.

10. The Borrower shall, not later than September 30, 1997, carry out a mid-term review of Project implementation and, not later than December 31, 1997, furnish to the Bank for comments the recommendations formulated on the basis of such review.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$20,000,000.

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

3. After the 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;

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

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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.

