

LOAN NUMBER 3188 FIJ

Loan Agreement

(Housing Project)

between

FIJI

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 22, 1990

LOAN NUMBER 3188 FIJ

LOAN AGREEMENT

AGREEMENT, dated June 22, 1990, between FIJI (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from the Asian Development Bank (ADB) a loan (the ADB Loan) to assist in financing the Project on the terms and conditions set forth in an agreement (the ADB Agreement) to be entered into between the Borrower and ADB;

(C) by agreement dated December 7, 1988 (Japanese Grant Agreement), the Government of Japan has agreed to extend a grant (the Grant) to the Borrower in an amount of 150,000,000 Yen to assist in financing part of the Project on terms and conditions set forth in the Japanese Grant Agreement;

(D) by agreement dated April 25, 1989 (UNDP Agreement), the United Nations Development Programme has agreed to extend a grant (the UNDP Grant) to the Borrower in an amount equivalent to \$243,000 to assist in financing part of the Project on terms and conditions set forth in the UNDP Agreement;

(E) Parts D and E of the Project will be carried out by the Housing Authority (the Authority) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Authority part of the proceeds of the Loan as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Bank and the Authority;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Project Agreement" means the agreement between the Bank and the Authority of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and the Authority pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "Authority" means the Housing Authority established under the Housing Act Cap. 267 (as amended);

(d) "NLTB" means the Native Land Trust Board established under the Native Land Trust Act Cap. 134;

(e) "MHUD" means the Borrower's Ministry of Housing and Urban Development;

(f) "TCPD" means the Town and County Planning Department of MHUD;

(g) "PRB" means the Public Rental Board established under the Housing Act Cap. 267 (as amended);

(h) "Housing Authority Policy Statement" means the statement of policy as adopted by the Board of the Housing Authority on August 15, 1988;

(i) "Rental Policy Statement" means the statement on public rental housing policy as adopted by the PRB Board on June 26, 1989; and

(j) "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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixteen million two hundred thousand dollars (\$16,200,000), 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 dollars a special account in a bank and 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, 1996 or such later date as the Bank, in consultation with the Borrower, 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 per annum 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 on 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 per annum 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 semiannually 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:

(i) carry out Parts A, B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and urban development practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, cause the Authority to perform in accordance with the provisions of the Project Agreement all the obligations of the Authority therein set forth, take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Authority to perform such obligations, and not take or permit to be

taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the equivalent of \$14,500,000 of the proceeds of the Loan to the Authority under a subsidiary loan agreement to be entered into between the Borrower and the Authority, under terms and conditions which shall have been approved by the Bank which shall include those outlined in Schedule 7 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) (i) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out those Parts of the Project referred to in the said paragraph (a) (i) of this Section 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.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts D and E of the Project shall be carried out by the Authority pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate 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 and 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 audits by the said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by the 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; and
- (iii) furnish to the Bank such other information concerning the said records and accounts and the audits 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 sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills,

receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

(iii) enable the Bank's representatives to examine such records.

ARTICLE V

Remedies of the Bank

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

(a) The Authority shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Authority will be able to perform its obligations under the Project Agreement.

(c) The Housing Act Cap. 267 (a) amended) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Authority to perform any of its obligations under the Project Agreement.

(d) A change shall have been made in the Subsidiary Loan Agreement without the Bank's consent.

(e) A change shall have been made in the Housing Authority Policy Statement, or the Rental Policy Statement, without the Bank's approval.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Authority (other than its restructuring which does not prejudice the purposes of the Project in the opinion of the Bank) or for the suspension of its operations.

(g) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant for the Project have been suspended, cancelled or terminated in whole or in part pursuant to the terms of an agreement providing therefor, or (B) any loan for the Project shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (f) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower;

(b) the events specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the events specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the

General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Authority;

(b) the transfer of all the assets and the liabilities of the public rental housing program from the Authority to PRB has been completed; and

(c) the Bank has notified the Borrower that the revised procurement and contract documentation system of the Authority is satisfactory.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by the Authority, and is legally binding upon the Authority in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Authority and is legally binding upon the Borrower and the Authority in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Government Buildings
Suva
Fiji

Cable address:

MINFIN
Suva

Telex:

2121 MINFIN FJ

Fax:

(679) 300834

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

Fax:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized

representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FIJI

By /s/ Abdul Yusuf

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works for		
(a) land devel- opment under Part E.1 (a)	4,500,000	60%
(b) land devel- opment under Part E.1 (b)	600,000	60%
(c) rental repair and upgrading	200,000	60%
(2) Sub-loans by the Authority for house construction	5,800,000	60% of the Sub- loans
(3) Goods	1,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local ex- penditures for other items pro- cured locally
(4) Consultants' services and training	1,800,000	100%
(5) Unallocated	1,500,000	
TOTAL	16,200,000	

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:

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

(b) for expenditures under Category (1) (c), until the Bank is satisfied with the rental restructuring program referred to in paragraph 5 of Schedule 5 to this Agreement; and the rental expert referred to in paragraph 5 (c) of the said Schedule has been duly appointed; and

(c) for expenditures under Category (1) (b), until the Bank is satisfied with the criteria for the development of sites to be selected under Part E.1 (b) of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to improve the housing and urban policies of the Borrower (ii) to provide affordable housing to lower income groups; and (iii) to strengthen housing and urban sector institutions.

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: Policy Development

1. Improvement in the capabilities of MHUD to formulate housing and urbanization policies through provision of technical assistance, equipment, training and studies.

2. Preparation of actions and investments in implementation of such housing and urbanization policies by MHUD through technical assistance and studies.

Part B: Urban Planning and Land Use

1. Improvement of the urban planning and standards development capability of TCPD through provision of technical assistance and training.

2. Improvement of the land use planning capability of NLTB through provision of technical assistance, training and equipment.

Part C: Rental Restructuring and Rehabilitation

1. Improvement in the operations of the public rental housing program of PRB, through the provision of technical assistance and equipment.

2. Repair and upgrading of about 720 existing rental units.

Part D: Institutional Strengthening of the Authority

Improvement in the operations and financial management of the Authority through provision of technical assistance, training and equipment.

Part E: Land Development and Housing

1. Development of:

(a) about 2,700 new plots on various sites in the Suva/ Nausori corridor and Lautoka; and

(b) additional plots on sites to be selected.

2. Construction of houses on the plots in Part E.1 above, through provision of loans.

3. Construction of houses on about 2,000 existing plots, through provision of loans.

* * * * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each May 15 and November 15 beginning November 15, 1995 through May 15, 2007	675,000

* 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 rates (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Bidders for the works included in the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Fiji 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. Contracts for civil works estimated to cost less than the equivalent of \$750,000 each, other than those referred to in paragraph 3 below, and up to an aggregate amount not exceeding the equivalent of \$2,500,000, may be awarded in accordance with competitive bidding procedures satisfactory to the Bank.
2. Contracts for goods estimated to cost less than the equivalent of \$25,000 each, and up to an aggregate amount not exceeding the equivalent of \$200,000, may be awarded in accordance with competitive bidding procedures satisfactory to the Bank.
3. Contracts for civil works and miscellaneous items grouped in packages estimated to cost less than the equivalent of \$10,000 each, and up to an aggregate amount not exceeding the equivalent of \$200,000, may be procured on the basis of comparison of quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.
4. Contracts for the installation of electricity, and water supply and sewerage networks, may be awarded to the Fiji Electricity Authority, or the Public Works Department, respectively, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$50,000 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 the 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, such 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 the 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 the Loan Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement and the Project Agreement.

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

Section II: Employment of Consultants

In order to assist in carrying out the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

1. The Borrower shall cause NLTB to carry out Part B.2 of the Project in accordance with a program satisfactory to the Bank, which shall include close coordination between TCPD and NLTB.
2. The Borrower shall, by June 30, 1993, furnish to the Bank for review, but in any case before declaring them in force, such policies and standards as formulated by MHUD, TCPD and NLTB under the Project.
3. The Borrower shall by December 31, 1990 complete terms of reference and selection of consultants satisfactory to the Bank, for the studies referred to in Part A.2 of the Project.
4. (a) The Borrower shall cause the Fiji Electricity Authority and the Public Works Department to complete, in accordance with a plan satisfactory to the Bank, the installation of off-site electricity, water supply and sewerage networks required by the Project.

(b) Without limitation to the provisions of Section 9.08 of the General Conditions, the Borrower shall cause the Fiji Electricity Authority and the Public Works Department to operate and maintain such infrastructure networks completed under the Project.
5. The Borrower shall cause PRB to carry out Part C of the Project in accordance with a rental restructuring program acceptable to the Bank, such program to be reviewed annually among the Borrower, the Bank and PRB.
6. The Borrower shall participate in the review of the documents referred to in paragraph 3 of the Schedule to the Project Agreement.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$800,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account

and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the 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 the said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the 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 (8) 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.

Principal Onlending Terms

A. Borrower to the Authority

1. Interest rate : three percent (3%)
below the rate,
which is determined
by the Reserve Bank
of Fiji to be mid-
point in the range
of mortgage lending
rates charged by a
group of financial
institutions in
Fiji, agreed upon
with the Bank
2. Amortization period : 17 years, including
5 years of grace
3. Foreign exchange risk : to be borne by
the Borrower

B. the Authority to Beneficiaries

1. Interest rate : to be determined in
accordance with
principles for
establishing such
rates as set forth
in the Housing
Authority Policy
Statement
2. Amortization period : maximum 25 years
3. Maximum loan amount : normally not to
exceed 80% of plot
and/or house cost
4. Eligibility criteria: in accordance
with the
stipulations of
the Housing
Authority
Policy
Statement

C. Adjustment of Rates

The interest rates and spreads, and the mechanisms for establishing the interest rates and spreads, shall be reviewed among the Borrower, the Bank and the Authority by September 30 of each year and, if necessary, adjusted, based on procedures agreed upon among the Borrower, the Bank and the Authority.

