

CONFORMED COPY

LOAN NUMBER 2932 IND

Loan Agreement

(Jabotabek Urban Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 20, 1988

LOAN NUMBER 2932 IND

LOAN AGREEMENT

AGREEMENT, dated April 20, 1988, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

- (a) "Bappeda" means the Borrower's Regional Government Development Planning Board;
- (b) "DAMRI" means the state-owned bus company established and operating under Government Regulation No. 30/1982;
- (c) "DGBM" means the Directorate General of Highways (Bina Marga) in the Borrower's Ministry of Public Works;
- (d) "DGLT" means the Directorate General of Land Transport in the Borrower's Ministry of Communications;
- (e) "DKI-Jakarta" means Jakarta Special Capital Province;
- (f) "Jabotabek" means the local government administrative areas comprising Jakarta, Bogor, Tangerang and Bekasi;
- (g) "PBB" means the Borrower's land and building tax;
- (h) "PPD" means the state-owned bus company established and operating under Government Regulation No. 32/1984;
- (i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (j) "Subsidiary Loan" means the loan provided for in the Subsidiary Loan Agreement; and
- (k) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DKI-Jakarta pursuant to Section 3.03 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan 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, an amount in various currencies equivalent to one hundred fifty million dollars (\$150,000,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in United States dollars a special account in Bank Indonesia on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one 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 one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

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

Semester.

(c) For purposes of this Section:

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

Section 2.06. Interest and other charges shall be payable semiannually on January 1 and July 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 through DGLT, DGBM and DKI-Jakarta with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower shall relend part of the proceeds of the Loan to DKI-Jakarta under a subsidiary loan agreement to be entered into between the Borrower and DKI-Jakarta under terms and conditions which shall have been approved by the Bank which shall include the following:

- (i) interest shall be payable on the principal amount of the Subsidiary Loan, withdrawn and outstanding from time to time, at a rate per annum equal to ten percent (10%); and
- (ii) the principal amount shall be repaid over a period of twenty (20) years, including a grace period of five (5) years.

(b) 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 portion thereof.

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 including DKI-Jakarta or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 DKI-Jakarta; and

(b) an Urban Transport Development Action Plan, satisfactory to the Bank, has been adopted by Tim Koordinasi.

Section 5.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Loan Agreement has been duly authorized by the Borrower and DKI-Jakarta and is legally binding on the Borrower and DKI-Jakarta in accordance with its terms.

Section 5.03. 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 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 Director General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

DJMLN IA 45799
DEPKU IA 44319

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.

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

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

REPUBLIC OF INDONESIA

By /s/ Dadang Sukandar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila Karaosmanoglu,

Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Amount of the

| Category | Loan Allocated (Expressed in Dollar Equivalent) | % of Expenditures to be Financed |
|---|---|---|
| (1) Civil Works for Part A of the Project | 35,000,000 | 75% |
| (2) Civil Works for Part B of the Project | 69,000,000 | 75% |
| (3) Civil Works for Part C of the Project | 6,500,000 | 75% |
| (4) Maintenance (Part B of the Project) | 4,000,000 | 100% |
| (5) Equipment | 5,000,000 | 100% of foreign expenditures, 95% of local expenditures (ex-factory cost) and 65% of local ex- penditures for other items pro- cured locally |
| (6) Consultants' services | 20,500,000 | 100% |
| (7) Training | 5,000,000 | 100% |
| (8) Unallocated | 5,000,000 | |
| TOTAL | 150,000,000 | |

2. For the purposes of this Schedule:

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

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$5,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after March 31, 1988; and

(b) under Category (3) until the studies and documents referred to in paragraph 10 of Schedule 5, in form and substance satisfactory to the Bank, shall have been completed.

SCHEDULE 2

Description of the Project

The objectives of the Project are to:

(a) support integrated infrastructure development planning and programming in the Jabotabek region and urban transport programming in DKI-Jakarta in particular;

(b) increase DKI-Jakarta's technical capabilities in preparing and implementing road construction, and road rehabilitation and maintenance programs;

(c) improve traffic management in the Jabotabek region;

(d) improve the Borrower's policies, operations and regulations for public transport; and

(e) prepare for future integrated development programs in the urban 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:

1. Construction of about 24 km of new primary arterial road links in the Jabotabek region.
2. Widening or major reconstruction of about 34 km of existing road links in the Jabotabek region.
3. Reconstruction of an intersection in the Jabotabek region through provision of grade separations.

Part B:

1. Construction of about 14 km of new secondary arterial road links in DKI-Jakarta.
2. Reconstruction of three intersections in DKI-Jakarta through provision of grade separations.
3. Construction of about 35 km of new development roads on the eastern and western fringes of DKI-Jakarta.
4. Comprehensive traffic management improvements in DKI-Jakarta by providing, inter alia, improvements to the main road network, bus priority measures, traffic signal equipment, selected intersection and pedestrian improvements, and a street signing and road marking program.
5. Improving road rehabilitation and routine and periodic maintenance in DKI-Jakarta.

Part C:

Development of the former Kemayoran Airport site including pre-feasibility and feasibility studies and construction of urban infrastructure.

Part D:

1. Development of a five-year integrated infrastructure development program for the Jabotabek region.
2. Development of an integrated urban transport plan for the Jabotabek region.
3. Strengthening DKI-Jakarta in: (a) revenue improvement and financial management; (b) transportation planning and regulation; and (c) traffic management and restraint.
4. Strengthening the Borrower's air quality monitoring capabilities in the Jabotabek region.
5. Strengthening of national urban transport institutions and public transport institutions in the Jabotabek and other regions.

Part E:

1. Strengthening the Borrower's training capabilities in:
 - (a) traffic engineering education;
 - (b) traffic police training; and
 - (c) traffic engineering practice.
2. Preparation of future integrated urban infrastructure projects in other large cities and a study of the feasibility, and preparation, if necessary, of a possible mass transit system in Jabotabek region.
3. Strengthening the Borrower's capacities in Project implementation, advisory services, training and preparation of future programs by the provision of technical assistance for all of Parts A, B, C and D above.

* * *

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

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|---|---|
| On each January 1 and July 1 | |
| beginning January 1, 1994 through July 1, 2008 | 5,000,000 |

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

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

| Time of Prepayment | Premium |
|---|---|
| | The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by: |
| Not more than three years before maturity | 0.15 |
| More than three years but not more than six years before maturity | 0.30 |
| More than six years but not more than 11 years before maturity | 0.55 |
| More than 11 years but not more than 16 years before maturity | 0.80 |
| More than 16 years but not | 0.90 |

more than 18 years
before maturity

More than 18 years before maturity 1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works estimated to cost less than \$3,000,000 equivalent per contract may be awarded in accordance with the Borrower's local competitive bidding procedures in effect at the date of this Agreement.
2. Civil works relating to traffic engineering improvements and road maintenance, up to an aggregate amount not to exceed \$1,800,000 equivalent, may be carried out by force account.
3. Goods: (a) estimated to cost less than \$200,000 equivalent may be awarded in accordance with the Borrower's local competitive bidding procedures in effect at the date of this Agreement; and (b) estimated to cost less than \$20,000 equivalent, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank; provided, that the goods referred to in (a) and (b) above shall not exceed in the aggregate \$1,000,000 equivalent.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:
 - (a) With respect to each contract for civil works estimated to cost the equivalent of \$1,000,000 or more, and each contract for equipment estimated to cost the equivalent of \$500,000 or more the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.
 - (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.
 - (c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized

withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

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

Section II. Employment of Consultants

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

SCHEDULE 5

Implementation Program

1. The Borrower shall prepare, or cause DGBM, DGLT, DKI-Jakarta and other relevant agencies to prepare and adopt by March 31, 1989, an integrated five year expenditure program and the related first annual program, satisfactory to the Bank, for the Jabotabek region as referred to in Schedule 2 (D) (2). Thereafter, the Borrower shall, in consultation with the Bank, prepare the subsequent annual programs.

2. The Borrower shall undertake a review of projected transport demands and to identify a transport corridor network, together with policies and plans for an integrated transport system in the Jabotabek region, including mass transit options, which review shall be furnished to the Bank for discussion by March 31, 1990. Consultants for this purpose shall be appointed by March 31, 1989. Thereafter detailed action plans for bus, rail and other modes will be furnished to the Bank for discussion by March 31, 1991.

3. The Borrower shall implement, or cause to be implemented a PPD/DAMRI Transport Action Plan for the Jabotabek region, in accordance with a time schedule satisfactory to the Bank.

4. The Borrower shall have appointed, or caused to be appointed, the consultants to assist: (a) the Project Coordination Office, by June 30, 1988; (b) in transport network planning, by September 30, 1988; and (c) in carrying out Part D (4) of the Project relating to air quality monitoring, by January 31, 1989.

5. The Borrower shall cause DKI-Jakarta to be responsible for overall project coordination, accounting and monitoring, and shall cause to be established a Project Coordination Office under DKI's Bappeda. In addition, the Borrower shall cause other Project management arrangements to be satisfactory to the Bank.

6. The Borrower shall cause all land acquisition and all resettlement-related actions to be carried out in accordance with a plan and implementation Schedule satisfactory to the Bank.

7. The Borrower shall cause DKI-Jakarta to prepare, by March 31, 1989, and thereafter implement a revenue improvement plan that shall increase DKI-Jakarta's local tax revenues by at least 6% per year in real terms from April 1, 1989 until the Project has been completed.

8. The Borrower shall cause DKI-Jakarta and DGPajak (the Borrower's Directorate General of Taxes) to carry out jointly an action plan such that PBB revenues from the DKI-Jakarta PBB tax area increase by at least 13% per year in real terms from April 1, 1989 until the Project has been completed.

9. The Borrower shall ensure that, until the Project has been completed, development grants and development budget allocations (DIPNAS) of the Ministry of Public Works for urban infrastructure that are the responsibility of DKI-Jakarta shall not exceed their fiscal year 1988/89 levels in nominal terms.

10. With respect to Part C of the Project, the Borrower shall:

(a) carry out, and furnish to the Bank for comment, a prefeasibility study for developing the site referred to in such Part; and

(b) establish a development management entity, satisfactory to the Bank, to carry out (i) a feasibility study and (ii) detailed engineering and contract document preparation for the first phase of the development of such site.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6) and (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 \$6,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments 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 evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditure.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any 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, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

