

CONFORMED COPY

LOAN NUMBER 3712 IND

Loan Agreement

(Second Highway Sector Investment Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 26, 1994

LOAN NUMBER 3712 IND

LOAN AGREEMENT

AGREEMENT, dated April 26, 1994, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) 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) "Action plan" means the Stage II Action Plan, adopted by the Borrower, for implementation of its highway and road traffic and transport policies, as amended from time to time in consultation with the Bank.

(b) "DBM" means the Dinas Bina Marga, a provincial roads department under DGH (as herein defined), or any successor thereto.

(c) "DGH" means the Directorate General of Highways within MPW (as herein defined) or any successor thereto.

(d) "DGLC" means the Directorate General of Land Communications within MOC (as herein defined) or any successor thereto.

(e) "IRE" means the Institute of Road Engineering within MPW (as herein defined) or any successor thereto.

(f) "MOC" means the Borrower's Ministry of Communication or any successor thereto.

(g) "MPW" means the Borrower's Ministry of Public Works or any successor thereto.

(h) "POLANTAS" means the Borrower's Polisi Lalu Lintas (directorate of traffic police) or any successor thereto.

(i) "RBO" means the Regional Betterment Office within DGH or any successor thereto.

(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 three hundred fifty million dollars (\$350,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in US dollars a special deposit account in Bank Indonesia or a commercial bank, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

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

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

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

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

"(b) As soon as practicable after the end of

each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

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

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 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, financial, environmental, 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

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

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

ARTICLE V

Effective Date; 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 1139
Jakarta 10710, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

45799 DJMLN IA
44319 DEPKEU IA

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

REPUBLIC OF INDONESIA

By /s/ Arifin M. Siregar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug

Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	239,400,000	45%
(2) Supervision of civil works	33,900,000	100%
(3) Equipment	11,800,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 65% of local expenditures for other items procured locally
(4) Consultants' services and training	33,200,000	100%
(5) Unallocated	31,700,000	

TOTAL 350,000,000

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: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$35,000,000, may be made in respect of Categories (1) and (3) on account of payments made for expenditures before that date but after June 1, 1993; and (b) a sub-project under Parts A or B.1 of the Project unless the sub-project has been approved by the Bank pursuant to paragraph 7 of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditures for expenditures under contracts for (a) civil works under Part A (i) and (ii) and Part B.1 of the Project not exceeding \$2,000,000 equivalent, (b) civil works under Part A (iii) of the Project not exceeding \$1,000,000 equivalent, and (c) goods not exceeding \$200,000 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 assist the Borrower to:

- (i) improve and develop its road subsector to meet the continued rapid growth in demand resulting from sustained economic growth,
- (ii) reduce its road transport system costs, and
- (iii) improve road traffic safety.

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: Road Network Maintenance and Improvement

Improvement of national and provincial roads through the carrying out of selected subprojects for (i) the rehabilitation comprising improvement of side and cross drainage and repairs, marginal widening and strengthening of pavements and shoulders, or upgrading of gravel pavements, (ii) periodic maintenance of roads, and (iii) replacement of bridges.

Part B: Road Capacity Expansion

1. Improvement of the capacity of selected links of the national and provincial roads through the carrying out of: (a) road widening subprojects for a total of about 150 kilometers, and (b) road upgrading subprojects for a total of about 60 kilometers.

2. Preparation of feasibility studies and detailed engineering design, including procurement of necessary data.

Part C: Institutional Strengthening

1. Strengthening DGH's capabilities through (a) the provision of consultancy services and equipment for (i) the

extension, development and implementation of road management systems, and (ii) the improvement of traffic and road monitoring programs, (b) the provision of consultancy services and training to develop and implement a mechanism for effective quality control and monitoring of road works, (c) the provision of consultancy services to review and develop traffic engineering guidelines and standards, and (d) the provision of specialized equipment to DGH's Subdirectorates of Road and Bridge Engineering for survey, testing, and investigation of roads and bridges.

2. Strengthening the capabilities of DBM and RBO in the areas of technical planning and design of civil works, and supervision of construction, environment and resettlement activities through the provision of consultancy services and training.

3. Strengthening the capabilities of IRE through (a) the provision of consultancy services and equipment for road research, technology transfer, and standards development, and (b) training for and feasibility study of pavement testing facility.

Part D: Human Resources Development

Development and implementation of a national/provincial roads master training plan through the provision of professional training and technical assistance for training program preparation and for master's degree in highway engineering.

Part E: Action Plan Implementation

1. Strengthening the capabilities of MOC through (a) the provision of consultancy services to assist in the formulation of specific recommendations for the progressive improvement in road user charges and to implement the recommendations regarding vehicle weights and dimensions, and (b) training and improvement in the management of training activities.

2. Improvement of road traffic safety through (a) the training of traffic police, and (b) the provision of advisory services for road traffic safety to DGLC.

* * *

The Project is expected to be completed by June 30, 1999.
SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 1, 1999	6,545,000
April 1, 2000	6,785,000
October 1, 2000	7,040,000
April 1, 2001	7,300,000
October 1, 2001	7,570,000
April 1, 2002	7,855,000
October 1, 2002	8,145,000
April 1, 2003	8,445,000
October 1, 2003	8,760,000
April 1, 2004	9,085,000
October 1, 2004	9,425,000
April 1, 2005	9,775,000
October 1, 2005	10,135,000
April 1, 2006	10,515,000
October 1, 2006	10,905,000
April 1, 2007	11,310,000
October 1, 2007	11,730,000
April 1, 2008	12,165,000
October 1, 2008	12,615,000
April 1, 2009	13,085,000
October 1, 2009	13,570,000

April 1, 2010	14,075,000
October 1, 2010	14,600,000
April 1, 2011	15,140,000
October 1, 2011	15,705,000
April 1, 2012	16,285,000
October 1, 2012	16,890,000
April 1, 2013	17,520,000
October 1, 2013	18,170,000
April 1, 2014	18,855,000

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

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D 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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of

delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. In the procurement of works under Parts A and B.1 of the Project, bidders shall be prequalified as provided 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 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Civil works under: (a) Part A (i) and (ii) and Part B.1 of the Project, estimated to cost less than the equivalent of \$3,000,000 per contract, up to an aggregate amount not to exceed the equivalent of \$175,000,000, and (b) Part A (iii) of the Project, estimated to cost less than the equivalent of \$1,500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$38,000,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. (a) Except as provided in paragraph (b) hereof, equipment estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not exceeding the equivalent of \$800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Equipment, estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part E: 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 for (i) civil works under Part A (i) and (ii) and Part B.1 of the Project, estimated to cost the equivalent of \$3,000,000 or more, (ii) civil works under Part A (iii) of the Project, estimated to cost the equivalent of \$1,500,000 or more, and (iii) equipment, estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. The Borrower shall carry out the Project through its departments and agencies as follows:

- (a) Part A of the Project shall be carried out by DBMs assisted by the RBOs and coordinated by DGH.
- (b) Part B of the Project shall be carried out by DGH.

- (c) Part C of the Project shall be carried out by DGH, IRE, and RBOs.
- (d) Part D of the Project shall be carried out by DGH.
- (e) Part E of the Project shall be carried out by MOC, DGLC, DGH, and POLANTAS.

2. The Borrower shall maintain the Project Coordination Unit within DGH, to monitor the implementation activities and to report the progress of the Project, with such functions and responsibilities as are satisfactory to the Bank.

3. The Borrower shall through DGH: (a) by November 15 of each year commencing in 1994, furnish to the Bank for its review: (i) the status of implementation of the Borrower's current fiscal year's road subsector expenditure program, (ii) the draft work program and budget for national and provincial roads for the Borrower's following fiscal year, and (iii) the draft three-year forward road subsector expenditure plan, including the associated work program of environmental and social impact assessment, with an indication of the approaches used to achieve balance within and between programs and progress in the extension of the road management systems to all road works on all road classes, and (b) by January 31 following each such year, discuss and take action in respect thereof in light of the comments, if any, thereon by the Bank.

4. The Borrower shall: (a) by June 30, 1994, establish arrangements, satisfactory to the Bank, for coordinating and monitoring the implementation activities under the Action Plan, and (b) (i) by November 15 of each year commencing in 1994, furnish to the Bank for its review the status of implementation of the Action Plan and the activities planned thereunder for the coming year, and (ii) by January 31 following each such year, discuss and take action in respect thereof in light of the comments, if any, thereon by the Bank.

5. The Borrower shall through DGH: (a) formulate its annual works programs and budgets and its three-year forward programs of national and provincial roads on the basis of criteria and principles, using, where applicable, the improved road and bridge management systems and taking into account comments, if any, thereon by the Bank, and (b) furnish the same to the Bank in a format agreed with the Bank.

6. The Borrower shall carry out the technical assistance and training under the Project according to a schedule and in a manner satisfactory to the Bank.

7. The Borrower shall through DGH: (a) select subprojects for Parts A and B.1 of the Project from its annual works program, finalized pursuant to paragraph 5 hereof, in accordance with policies, planning principles, and design criteria and procedures satisfactory to the Bank; (b) by January 15 of each year commencing in 1995 submit, for the Bank's approval, the proposal (in a form agreed with the Bank) for each selected subproject to be financed out of the proceeds of the Loan including (i) arrangements, satisfactory to the Bank, for the appointment of consultants for supervision of construction, and (ii) as required, an environmental action plan and/or a resettlement action and monitoring plan therefor; and (c) ensure that during the execution of each approved subproject the environmental action plan and resettlement action and monitoring plan, if any, therefor are carried out in a manner satisfactory to the Bank.

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 \$23,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to

the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

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