

CONFORMED COPY

LOAN NUMBER 3496 IND

(Primary School Teacher Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 26, 1992

Loan No. 3496-IND

LOAN AGREEMENT

AGREEMENT, dated August 26, 1992, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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) "DGHE" means the Borrower's Directorate General of Higher Education;

(b) "D-II" means a four to five semesters' post secondary school diploma course;

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

(d) "IKIP" means a Teacher Training Institute;

(e) "FKIP" means a Faculty of Education at a University;

(f) "LPTK" means a Teacher Training Institute, or a Faculty of Education at a University, or a Teacher Training College;

(g) "PGSD" means the education of primary school teachers;

(h) "S1" means an undergraduate degree program;

(i) "S2" means a two-year master's level post graduate program;

(j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(k) "UPP" means the Program Implementation Unit for the education of primary school teachers.

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 thirty six million six hundred thousand dollars (\$36,600,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

(b) The Borrower shall, for the purposes of the Project, open and maintain in United States dollars a special deposit account in Bank Indonesia 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, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

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

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

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

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

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

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

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through DGHE with due diligence and efficiency and in conformity with appropriate administrative, educational, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of 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

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
Jl. Lapangan Banteng Timur 2-4
P.O. Box 2458
Jakarta 10710, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

45799 DJMLN JKT
44319 DEPKEU JKT

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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

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

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji
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	4,500,000	50%
(2) Equipment	1,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Learning and teaching materials and printing services	1,400,000	50%
(4) Consultants' services	1,700,000	100%
(5) Fellowships:		
(a) In-country	5,200,000	50%
(b) Overseas	14,000,000	100%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Research and studies	1,600,000	100%
(7) In-country training	1,100,000	50%
(8) Scholarships	3,800,000	70%
(9) Unallocated	2,300,000	
TOTAL	36,600,000 =====	

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 prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to enhance the training of primary school teachers, through a new tertiary level teacher diploma course.

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: Developing Primary Teacher Educators

1. Provision of overseas study tours for about fifty pre-service and in-service program managers of PGSD to review primary teacher training programs, and carrying out of workshops for the preparation of local short- and long-term training programs.

2. Provision of short-term overseas training for about 270 teacher educators.

3. Provision of short-term local training for about 730 teacher educators and about 1,600 practice teaching supervisors from primary schools, and provision of local workshops and short-term training to UPP managers on reforms in PGSD management.

4. Provision of overseas graduate degree programs in primary education to about 175 teachers.

5. Provision of local long-term training, including S1 programs for about 700 PGSD teachers, S2 programs for about 100 teachers, and a D-II program in librarianship for the librarians of the 98 UPPs.

6. Provision of technical assistance for the development and evaluation of the training programs for primary educators and UPP managers.

Part B: Strengthening Primary Teacher Education Programs

Improvement of the curriculum of the pre-service and in-service programs, including provision of workshops, writing and field testing of curricular materials, printing and distribution of curricular materials to UPPs, acquisition of equipment and library materials, and provision of technical assistance for the improvement of the primary curriculum.

Part C: Establishing a Coordinated System for Teacher Supply and Distribution

1. Development of a formula for determining the number of primary teachers needed in primary schools in different areas of Indonesia; carrying out of workshops for the development of student selection and recruitment systems, and for the development and operation of a teacher supply information and mapping system; and provision of technical assistance for the development of the teacher supply information and mapping system.

2. Provision of two and a half years' scholarships to about 4,500 needy students from isolated teacher-shortage areas.

3. Construction of dormitories at selected UPPs with about 3,200 places for students recruited from teacher-shortage rural areas.

Part D: Building Research and Development Capacity

1. Carrying out of six policy studies at the national level, on: (i) incentives for primary school teachers, (ii) learning needs and characteristics of PGSD recruits, (iii) demographic change and primary school teacher supply and demand, (iv) the quality of instruction in the PGSD program, (v) primary school teacher appointment and placement, and (vi) systems for D-II in-service training in remote areas.

2. Provision of about 20 grants to LPTK research teams for applied research.

3. Carrying out of pilot studies by primary school teachers under LPTK guidance to examine how to improve teaching methods.

4. Establishment of a Center for Primary Education Research and Development at IKIP Yogyakarta.

5. Provision of technical assistance to the Project Implementation Unit in DGHE for research and development activities of the Unit.

Part E: Strengthening the Primary Teacher Education System

Strengthening management structures and procedures at the DGHE, LPTK and UPP levels, including carrying out of a study on the management processes of DGHE, LPTK and UPP, and provision of related technical assistance.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 15, 1998	665,000
September 15, 1998	695,000
March 15, 1999	720,000
September 15, 1999	750,000
March 15, 2000	775,000
September 15, 2000	805,000
March 15, 2001	840,000
September 15, 2001	870,000
March 15, 2002	905,000
September 15, 2002	940,000
March 15, 2003	975,000
September 15, 2003	1,015,000
March 15, 2004	1,050,000
September 15, 2004	1,095,000
March 15, 2005	1,135,000
September 15, 2005	1,180,000
March 15, 2006	1,225,000
September 15, 2006	1,270,000
March 15, 2007	1,320,000
September 15, 2007	1,370,000
March 15, 2008	1,425,000
September 15, 2008	1,480,000
March 15, 2009	1,535,000
September 15, 2009	1,595,000
March 15, 2010	1,660,000
September 15, 2010	1,720,000

March 15, 2011	1,790,000
September 15, 2011	1,860,000
March 15, 2012	1,930,000
September 15, 2012	2,005,000

* 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: Procurement Procedures

- Civil works, goods and printing services shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.
- Office and laboratory equipment and computers estimated to cost the equivalent of \$ 50,000 or less per contract, up to an aggregate amount equivalent to \$ 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.
- Books and other instructional materials 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, or such contracts may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

Part B: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$ 200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

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

Section II. Employment of Consultants

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. In carrying out Part A of the Project, the Borrower shall take all measures necessary to ensure that those returning from overseas and local degree programs (i) are offered appropriate positions in PGSD, and (ii) are required to serve in PGSD positions for a period equal to twice the number of years of their degree program plus one additional year.

2. In carrying out Part C of the Project, the Borrower shall:

(a) not later than August 31, 1994, furnish to the Bank for comments the proposed formula, and, thereafter, establish a formula taking into account the Bank's comments on the proposal; and

(b) take all measures necessary to ensure that recipients of scholarships from isolated areas where there is a teacher shortage, serve in such areas for a period equal to two times the number of years they received financial assistance plus one additional year.

3. In carrying out Part D of the Project, the Borrower shall:

(a) furnish the results of the studies to the Bank for its comments, and to the Research Task Force within DGHE for its recommendations on how the results of the studies should be incorporated into a DGHE action plan; and

(b) establish, not later than October 31, 1992, a Research

Quality Control Board within DGHE with terms of reference acceptable to the Bank.

4. In carrying out Part E of the Project, the Borrower shall:

(a) by April 30, 1993, prepare and furnish to the Bank a plan indicating staffing and organizational arrangements to strengthen management of its teacher education programs and, thereafter, carry out such plan, taking into account the comments of the Bank, in accordance with a timetable acceptable to the Bank; and

(b) not later than December 31, 1995, furnish to the Bank for comments, the recommendations of the management study, and, thereafter, prepare and carry out an action plan taking into account the Bank's comments on the recommendations.

5. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall cause the Project Implementation Unit to furnish to the Bank by each April 30 and October 31, commencing April 30, 1993, semi-annual Project progress reports.

6. The Borrower shall furnish to the Bank by December 31 in each year, commencing December 31, 1993, a review of the implementation of the previous and current year budgets for the primary teacher education program, together with a plan and a proposed budget for the following fiscal year; and, thereafter, make final budgetary allocations taking into account the Bank's comments on the proposed budget.

7. The Borrower shall, not later than November 30, 1994, in consultation with the Bank, carry out a mid-term review of the implementation of the Project, and, thereafter, promptly carry out any agreed recommendations.

8. Whenever the Borrower determines, during the Project implementation period, that the Borrower's present limit of 8,000 yearly participants in the D-II PGSD program is too low, the Borrower shall consult with the Bank before taking any action to increase such limit.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,900,000 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.

