

CONFORMED COPY

LOAN NUMBER 3726 IND

Loan Agreement
(Surabaya Urban Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 17, 1994

LOAN NUMBER 3726 IND

LOAN AGREEMENT

AGREEMENT, dated May 17, 1994, 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;

(B) the Borrower has entered into an agreement, dated February 26, 1993, (the First OECF Loan Agreement) with the Japan Overseas Economic Cooperation Fund (OECF) for a loan (the First OECF Loan) in an amount of Japanese Yen 11,251,000,000 to assist in financing Parts A, B, C, D, and H of the Project on the terms and conditions set forth in the First OECF Loan Agreement;

(C) the Borrower also intends to contract from OECF a loan (the Second OECF Loan) in an amount equivalent to about \$81,000,000 to further assist in financing Parts A, B, C, D, and H of Project on the terms and conditions set forth in an agreement (the Second OECF Loan Agreement) to be entered into between the Borrower and OECF;
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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Affected Person" and "Affected Persons" means individually the person and collectively the persons whose right, title or interest in any property is acquired or is intended to be acquired or whose property is otherwise possessed or intended to be possessed and who as a result thereof has been or would be displaced or dispossessed from his/their habitat or land or precluded from carrying out his/their business, occupation or work on account of the execution of Parts A.1 and C.1-C.2 of the Project; and "Affected Family" means the immediate members of the Affected Person's family residing with the Affected Person at the time of said acquisition or possession of the Affected Person's property.

(b) "BAPPEDA I" means the provincial development planning agency, or any successor thereto, of East Java Province, a political sub-division of the Borrower.

(c) "BPN" means Badan Pertanahan Nasional, the National Land Agency of the Borrower, or any successor thereto.

(d) "Eligible Beneficiaries" means the selected individuals to whom Sub-loans (as the term is defined herein) are provided out of the proceeds of the Loan.

(e) "Implementing Agencies" means Directorate General of Bina Marga (Highways) (DGMB), Cipta Karya (Human Settlements) (DGCK) and Pengairan (Water Resource Development) (DGP) within MPW, BPN, BAPPEDA I, KMS, and PDAM (as the terms are defined herein).

(f) "KMS" means Kotamadya Surabaya, the Surabaya municipal government.

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

(h) "Operational Action Plan" means the action plan, agreed between the Borrower and the Bank, for various Implementing Agencies including KMS and PDAM to carry out their respective Parts of the Project, as such plan may be amended from time to time by agreement between the Borrower and the Bank.

(i) "PDAM" means Perusahaan Daerah Air Minum, a Surabaya local government water supply enterprise, established and operating pursuant to the provisions of the Borrower's Law No. 5 of 1962, Law No. 5 of 1974, Decree No. 26 of 1975 of the Borrower's Ministry of Home Affairs, and Joint Decree of the Borrower's Ministry of Home Affairs No. 3 of 1984 and the Borrower's Ministry of Public Works No. 26/KPTS of 1984, as any of the same may be amended from time to time.

(j) "PIA" means the Project Implementation Agreement entered or to be entered into between the Borrower and KMS and PDAM pursuant to Section 3.03 (a) of this Agreement.

(k) "Resettlement and Rehabilitation Action Plan" means the Surabaya Urban Roads and Drainage Compensation and Resettlement Plan, dated October 1992, prepared by KMS and DGCK, MPW for carrying out the resettlement and rehabilitation of each Affected Person and Affected Family, as such plan may be amended from time to time by agreement between the Borrower and the Bank.

(l) "respective Parts of the Project" means, in respect of (i) KMS, Parts A, C, D, E, F, G and H.1-H.6 of the Project, and (ii) PDAM, Parts B and H.7 of the Project.

(m) "SLAs" means, collectively, the subsidiary loan agreements entered or to be entered into between the Borrower and KMS and the Borrower and PDAM respectively pursuant to Section 3.03 (b) of this Agreement; and "SLA" means any of the SLAs.

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

(o) "Sub-loans" means the loans granted to Eligible Beneficiaries out of the proceeds of the Loan under Part F.2 of the Project pursuant to paragraph 7 (b) (i) of Schedule 5 to this Agreement.

(p) "Surabaya" means the Surabaya municipality, a political sub-division of the Borrower, or any successor or successors thereto.

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 one hundred seventy five million dollars (\$175,000,000), 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 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 September 30, 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 May 1 and November 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 the Implementing Agencies, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and resettlement 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 enter into a project implementation agreement with KMS and PDAM on terms and conditions satisfactory to the Bank including those set forth in paragraph 6 of Schedule 5 to this Agreement.

(b) The Borrower shall make \$68,300,000 and \$85,500,000 equivalent out of the proceeds of the Loan available to KMS and PDAM respectively under subsidiary loan agreements satisfactory to the Bank including the following: (i) the interest payable on the principal amount of its subsidiary loan withdrawn by KMS or PDAM from time to time shall be at rates equal to six-month average of three-month Sertifikat Bank Indonesia rates subject to a maximum rate of 14% and a minimum rate equal to the rate of interest payable under Section 2.05 of this Agreement plus 1.75%; (ii) the commitment charge payable on the principal amount of its subsidiary loan not withdrawn by KMS or PDAM from time to time shall be equivalent to the rate prescribed by Section 2.04 of this Agreement; (iii) the term of each subsidiary loan shall be 20 years; (iv) financial and other covenants shall be prescribed for KMS and PDAM as per paragraphs 7 and 8 respectively of Schedule 5 to this Agreement.

(c) The Borrower shall exercise its rights under the PIA and SLAs in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the PIA or SLAs or any provisions 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 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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) KMS or PDAM shall have failed to perform any of its obligations under the PIA.
- (b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that KMS or PDAM will be able to perform its obligations under the PIA.
- (c) The laws and regulations establishing KMS or PDAM shall have been amended, suspended, abrogated, or repealed so as to affect materially and adversely the ability of KMS or PDAM to perform any of its obligations under the PIA.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of KMS or PDAM or for the suspension of its operations; and
- (e) The Second OECF Loan Agreement shall have failed to become effective by June 30, 1996, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of

the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (f) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the agreement providing the same, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

- (a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of ninety days after notice thereof shall have been given by the Bank to the Borrower;
- (b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and
- (c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the PIA and SLAs have been executed by the parties thereto.

Section 6.02. 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 (a) the PIA, and (b) the SLAs have been duly authorized or ratified by the parties thereto and are legally binding upon said parties in accordance with their respective terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is

designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Minister of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta 10710
Indonesia

Cable address: Telex:

FINMINISTRY 45799 DJMLN-IA,
Jakarta 44319 DEPKU-IA

For the Bank:

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

Cable address: Telex:

INTBAFRAD 248423 (RCA),
Washington, D.C. 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/ Gautam S. 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:		
(a) under Parts A, C, D, E, F, and G of the Project	42,800,000	60%
(b) under Part B of the Project	23,800,000	70%
(2) Goods (excluding vehicles and computers)	50,300,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Sub-loans	6,500,000	60% of amounts disbursed
(4) Consultants' services and training	36,000,000	100%
(5) Unallocated	15,600,000	
	175,000,000	
TOTAL	175,000,000	

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 prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$10,000,000, may be made in respect of Categories 1, 2, and 4 on account of payments made for expenditures before that date but after January 31, 1993.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and works not exceeding two hundred thousand dollars (\$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 improve: (a) the urban service levels particularly for the poor; (b) the productivity and effectiveness of investments; (c) the quality of the environment; and (d) the local government management, finance and resource generation and allocation, in Surabaya.

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: Urban Roads and Traffic Management

1. Construction and improvement of national, regional, and local roads and bridges through sub-projects comprising: (a) about 10 kilometers of arterial roads; (b) about 35 kilometers of partial or half-width arterial roads; (c) about 5 kilometers of full arterial roads; (d) about 140 kilometers of local roads; and (e) about 15 kilometers of improved main collector roads.

2. Carrying out of sub-projects for non-routine maintenance of urban roads, traffic management works, and provision of equipment and facilities therefor.

3. Carrying out of area traffic management schemes in five central city sub-areas.

4. Building and calibrating a traffic management model including the reformulation of transport strategy to emphasize the priority of public transport.

5. Institutional strengthening of KMS's departments and agencies responsible for roads and traffic management including the establishment of a new section for traffic management within KMS and strengthening of KMS's Road Maintenance Unit through the provision of technical assistance.

Part B: Water Supply and Distribution

1. Rehabilitation of the water distribution system.

2. Expansion of the transmission mains and primary, secondary, and tertiary distribution networks.

3. Installation of about 190,000 new water service connections.

4. Construction of pumping stations at Wonocolo and Putat Gede and related elevated and ground reservoirs and provision of equipment therefor.

5. Carrying out of a public hydrant installation program targeted towards low income households who cannot afford a house connection in poorly served areas of Surabaya.

6. Construction of the second Karang Pilang Water Treatment Plant to treat about two cubic meters per second of raw water from the Surabaya river.

Part C: Storm Water Drainage

1. Provision of new and improved storm water drainage system.

2. Conversion of irrigation channels into storm drainage.

3. Institutional strengthening of KMS's capacity for the operation and maintenance of the storm drainage system.

Part D: Solid Waste Management

1. Construction and rehabilitation of collection depots and transfer stations.

2. Provision of new containers, waste bins, hand carts and trucks, and overhaul of existing compactors and bulldozers including operation and maintenance thereof.

Part E: Human Waste and Waste Water Disposal System

1. Carrying out of a pilot human waste/waste water program comprising the construction and rehabilitation of: (a) a waste water treatment plant; (b) ponds for septic tank sludge disposal with prior treatment by anaerobic digestion; (c) small bore shallow and conventional sewers including about two pumping stations; and (d) digesters, thickeners, drying beds and ponds for septage treatment.

2. Construction and rehabilitation of public showers, washing and toilet facilities in new and densely populated areas.

3. Provision of about five sludge collecting vehicles and pumps.

4. Provision of a pumping station to take dry weather polluted flows from the Gunungsari channel away from polluted sections of the Surabaya river.

Part F: Kampung Improvement Program

1. Carrying out of a program of physical infrastructure improvements in fringe area Kampung and rehabilitation of some existing Kampung areas.

2. Carrying out of a household loan program to assist the urban poor to install about 30,000 septic tanks, and to improve about 15,000 homes and bathroom facilities.

3. Carrying out of a land management program to improve the granting of planning permission, land registration certificates, and building permits.

4. Supporting a community development program through training and other activities to enable Kampung to identify community problems, potential and resources and to develop the community's self reliance for problem solving.

Part G: Resettlement and Rehabilitation

Resettlement and rehabilitation of Affected Persons including: (a) the provision of (i) housing, serviced plots, building materials, utilities, civic facilities, access roads, and (ii) training; and (b) the administration, monitoring and evaluation thereof.

Part H: Technical Assistance and Training

Provision of technical assistance and training for:

1. Project coordination and management;

2. Human resource development and training, including community development;

3. Monitoring and implementation of measures to ensure the execution of the Project in accordance with sound environmental standards and resettlement policies;

4. Improvement of land management and revenue generation from taxes on land and buildings;

5. Carrying out of studies to develop: (a) greater Surabaya metropolitan area urban policy to the year 2010, (b) sewerage and sanitation master plan, and (c) urban freight distribution master plan;

6. Improvement of the Implementing Agencies' institutional capabilities in managing finance and materials supply; and

7. Improvement of PDAM's capabilities in water meter maintenance, human waste and waste water management, water quality monitoring, leak detection and utilization of computer systems.

* * *

The Project is expected to be completed by March 31, 1999.
SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1999	3,315,000
May 1, 2000	3,435,000
November 1, 2000	3,560,000
May 1, 2001	3,690,000
November 1, 2001	3,825,000
May 1, 2002	3,965,000
November 1, 2002	4,105,000
May 1, 2003	4,255,000
November 1, 2003	4,410,000
May 1, 2004	4,570,000
November 1, 2004	4,740,000
May 1, 2005	4,910,000
November 1, 2005	5,090,000
May 1, 2006	5,275,000
November 1, 2006	5,465,000
May 1, 2007	5,665,000
November 1, 2007	5,870,000
May 1, 2008	6,085,000
November 1, 2008	6,305,000
May 1, 2009	6,535,000
November 1, 2009	6,770,000
May 1, 2010	7,015,000
November 1, 2010	7,270,000
May 1, 2011	7,535,000
November 1, 2011	7,810,000
May 1, 2012	8,095,000
November 1, 2012	8,390,000
May 1, 2013	8,695,000
November 1, 2013	9,010,000
May 1, 2014	9,340,000

*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. Bidders for civil works under Parts A, B, C, E, F, and G of the Project 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, estimated to cost the equivalent of \$3,000,000

or less per contract, up to an aggregate amount not to exceed the equivalent of \$95,300,000, 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 sub-paragraph (b) hereof, goods, estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Goods, 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.

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, estimated to cost the equivalent of \$1,000,000 or more, and (ii) goods, 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

In order to assist the Borrower in carrying out the Project, the Borrower shall employ or cause the relevant Implementing Agencies to 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. 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.

SCHEDULE 5

Implementation Program

1. The Borrower shall, by September 30, 1994, submit to the Bank a proposal, satisfactory to the Bank, for mitigating pollution at Kenjeran landfill and, thereafter, carry out the mitigation measures included in the said proposal in a manner satisfactory to the Bank.

2. The Borrower shall, commencing in December 1994, annually review the previous year's operation and maintenance expenditures of KMS and PDAM and, in case these are found to be less than the amounts agreed with the Bank, cause KMS and PDAM to make up the difference in the said expenditures during the following year.

3. (a) The Borrower shall carry out the Project in accordance with an implementation schedule agreed with the Bank.

(b) The Borrower shall: (i) make or cause the relevant Implementing Agencies to make funds available for acquiring land required for carrying out of their respective parts of the Project at least one year before the scheduled start of implementation under the said schedule; and (ii) cause KMS to, by April 30, 1995, acquire the land required for resettlement under Part G of the Project during the year following the said date in a manner consistent with its obligations hereunder.

4. The Borrower shall carry out the training under the Project according to a program, agreed to by the Borrower and the Bank, in a manner satisfactory to the Bank.

5. The Borrower shall: (a) select sub-projects for Parts A.1 and A.2 of the Project for financing under the Loan from its annual works program in accordance with principles, criteria and procedures agreed to by the Borrower and the Bank, (b) by April 30 of each year commencing in 1995 submit, for the Bank's approval, a proposal (in a form agreed with the Bank) for each selected subproject to be financed out of the proceeds of the Loan including, as required, an environmental action plan and/or a resettlement and rehabilitation action and monitoring plan(s) therefor, and (c) ensure that during the execution of each approved sub-project the environmental action plan and resettlement and rehabilitation action and monitoring plan(s), if any, therefor are carried out in a manner satisfactory to the Bank.

6. Except as the Bank shall otherwise agree, the PIA shall include, inter alia, provisions whereby:

(a) KMS and PDAM shall declare their commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to that end, they shall agree to undertake their respective Parts of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and resettlement practices, and to provide, promptly as needed, the funds, facilities, services and other resources required therefor. Without limitation upon the foregoing, KMS and PDAM shall, except as the Borrower and the Bank may otherwise agree, carry out their respective Parts of the Project in accordance with the Operational Action Plan.

(b) KMS and PDAM shall agree that procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan under this Agreement shall be governed by the provisions of Schedule 4 to this Agreement.

(c) KMS and PDAM shall agree to use the goods and services financed out of the proceeds of the Loan exclusively for the purposes of the Project.

(d) KMS and PDAM shall agree that the Borrower or the Bank

may from time to time inspect the goods, works and services under the Project including all records and documents relating thereto.

(e) The Borrower may suspend or terminate the right of KMS and PDAM to use the proceeds of the Loan made available under this Agreement upon their failure to perform any obligations under the PIA or upon notice by the Bank to the Borrower that it intends to exercise its remedies under Article V of this Agreement.

(f) KMS and PDAM shall agree to promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the progress of their respective portions of the Project, the accomplishment of the purposes of the Loan under this Agreement, or the performance of their respective obligations under the PIA.

(g) KMS and PDAM shall agree to cooperate fully with the Borrower and the Bank to assure that the purposes of the Loan will be accomplished. To that end, KMS and PDAM shall agree to: (i) from time to time, at the request of either the Borrower or the Bank, exchange views with the Borrower and/or the Bank regarding the progress in carrying out their respective Parts of the Project or the performance of their respective obligations under the PIA, and other matters relating to the purposes of the Loan, and (ii) furnish all such information and documents related thereto as may reasonably be requested. KMS and PDAM shall further agree to provide such information and documents as may be required by the Borrower to fulfill its supervision, monitoring, recording and reporting obligations to the Bank.

(h) KMS and PDAM shall agree to comply and assist the Borrower in complying with the audit and accounting covenants in respect of their respective Parts of the Projects.

(i) KMS shall agree to carry out the Resettlement and Rehabilitation Action Plan, with due diligence and efficiency and in a manner satisfactory to the Borrower and the Bank. Without limitation upon the generality of the foregoing, KMS shall further agree specifically to:

- (i) provide to Affected Persons adequate land, residential and non residential structures, cash compensation, services, and resettlement and rehabilitation options in locations and on terms and conditions satisfactory to the Bank.
- (ii) ensure that consultations with Affected Persons are carried out in a manner satisfactory to the Bank;
- (iii) make available, commencing in June 1994, an environmental assessment and environmental assessment summary annually to the Affected Persons in the year covered by such assessment; and
- (iv) make available to Affected Families either serviced plots and cash compensation or residential or non residential structures in adequate numbers in accordance with the objectives of the Resettlement and Rehabilitation Action Plan, the informed preference of the Affected Family, and on terms and conditions satisfactory to the Bank, including, without limitation, the following:

Serviced Plots and Cash Compensation:

- (A) the serviced plot's total area shall be at least as large as the plot from which an Affected Family is to be resettled but in any event not less than thirty square meters;

(B) the total amount to be charged to an Affected Person for the rights set forth in (C) below shall not exceed the lesser of: (1) the total amount of cash compensation, at replacement cost, to be provided to an Affected Person for the plot acquired or possessed therefrom, excluding the amounts to be provided under (D) below, and (2) the total cost to KMS of providing the serviced plot;

(C) each said plot shall be made available to an Affected Person under renewable and transferrable legal rights (hak guna bangunan) for a period of not less than 20 years, provided, however, that if the legal right of an Affected Person was a hak milik then that Affected Person shall be granted a hak milik to the said plot. For this purpose, the Borrower undertakes to expeditiously issue, through BPN, the required certificates of the aforesaid legal rights to Affected Persons; and

(D) cash compensation, at replacement cost, shall be provided to an Affected Person for the residential or non-residential structure acquired or possessed therefrom.

Apartment Buildings (rumah susun):

(A) the total area of an apartment in a rumah susun shall be not less than eighteen square meters;

(B) the total amount to be charged to an Affected Person for the rights set forth in (C) below shall not exceed the lesser of: (1) the total amount of cash compensation, at replacement cost, to be provided to an Affected Person for the plot and the residential or non-residential structure acquired or possessed therefrom, and (2) the total cost to KMS of providing the apartment to an Affected Person; and

(C) each apartment shall be made available to an Affected Person under renewable and transferrable leasehold rights (Hak Sewa) for a period of not less than 20 years. For this purpose, the Borrower undertakes to expeditiously issue, through BPN, the required certificates of the aforesaid legal right to Affected Persons.

7. (a) Except as the Bank shall otherwise agree, the SLA between the Borrower and KMS shall include the following covenant:

"(i) Except as the Borrower and the Bank shall otherwise agree, KMS shall produce, for each of its fiscal years after its fiscal year ending on March 31, 1994, funds from internal sources equivalent to not less than 30% of the annual average of KMS's capital expenditures incurred, or expected to be incurred, for that year, the previous year, and the next following fiscal years.

(ii) Before October 31 in each of its fiscal years, KMS shall, on the basis of forecasts prepared by KMS and satisfactory to the Borrower and the Bank, review whether it would meet the requirements set forth in paragraph (i) in respect of such year and the next following fiscal year and shall furnish to the Borrower and the Bank a copy of such review upon its completion.

(iii) If any such review shows that KMS would not meet the requirements set forth in paragraph (i) for KMS's fiscal years covered by such review, KMS and the Borrower shall promptly take all necessary measures in order to meet such requirements.

(iv) For the purposes of this Section:

- (1) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, including tax revenues and service charges, and land, property and other tax revenues assigned to KMS by the Borrower, but excluding routine budget subsidies; and
 - (B) the sum of all expenses related to operations, including payments for incinerator expenses, administration, adequate maintenance (excluding provision for depreciation and other non-cash operating charges), debt service requirements, and other cash outflows other than capital expenditures.
- (2) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (3) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
- (4) Whenever for the purposes of this section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank."

(b) Except as the Bank shall otherwise agree, the SLA between the Borrower and KMS shall, inter alia, also include a covenant whereunder KMS shall agree to:

- (i) onlend a portion of the proceeds of the Loan made available to it by the Borrower to Eligible Beneficiaries under sub-loan agreements to be entered into between KMS and each Eligible Beneficiary in accordance with the procedures and on terms and conditions satisfactory to the Borrower and the Bank including the following: Each Sub-loan made under Part F.2 of the Project shall have a maturity of not more than 36 months, and shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to 1.75% per annum above the rate of interest payable by KMS under its SLA with the Borrower.
- (ii) exercise its rights under the Sub-loan agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project.

8. Except as the Bank shall otherwise agree, the SLA between the Borrower and PDAM shall, inter alia, include the following financial covenants:

"(a) (i) Except as the Borrower and the Bank shall otherwise

agree, PDAM shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1994, funds from internal sources equivalent to not less than 20% of the annual average of PDAM's capital expenditures incurred, or expected to be incurred, for that year, the previous year, and the next following fiscal year.

(ii) Before September 30 in each of its fiscal years, PDAM shall, on the basis of forecasts prepared by PDAM and satisfactory to the Borrower and the Bank, review whether it would meet the requirements set forth in paragraph (a) (i) in respect of such year and the next following fiscal year and shall furnish to the Borrower and the Bank a copy of such review upon its completion.

(iii) If any such review shows that PDAM would not meet the requirements set forth in paragraph (a) (i) for PDAM's fiscal years covered by such review, PDAM and the Borrower shall promptly take all necessary measures in order to meet such requirements.

(iv) For the purposes of this Section:

- (1) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and
 - (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.
- (2) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (3) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.
- (4) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
- (5) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months,

including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

- (6) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (7) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
- (8) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank."

"(b) (i) Except as the Borrower and the Bank shall otherwise agree, PDAM shall not incur any debt unless a reasonable forecast of the revenues and expenditures of PDAM shows that the estimated net revenues of PDAM for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of PDAM in such year on all debt of PDAM including the debt to be incurred.

(ii) For the purposes of this Section:

- (1) The term "debt" means any indebtedness of PDAM maturing by its terms more than one year after the date on which it is originally incurred.
- (2) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (3) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (4) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

- (5) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (6) The term "reasonable forecast" means a forecast prepared by PDAM not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and PDAM accept as reasonable and as to which the Bank has notified PDAM of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of PDAM.
- (7) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank."

"(c) (i) Except as the Borrower and the Bank shall otherwise agree, PDAM shall not make any distribution with respect to its net income, unless, after such distribution has been made, funds from internal sources are equivalent to not less than 20% of the annual average of PDAM's capital expenditures incurred, or expected to be incurred, for that year, the previous year, and the next following fiscal year.

(ii) For the purposes of this Section:

- (1) The term "funds from internal sources" means the difference between:
 - (A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and
 - (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.
- (2) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (3) The term "working capital other than cash" means

the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

- (4) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
- (5) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (6) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (7) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
- (8) Whenever for the purposes of this section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable 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 \$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. 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.

