

CONFORMED COPY

LOAN NUMBER 3305 IND

(Yogyakarta Upland Area Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 3, 1991

LOAN NUMBER 3305 IND

LOAN AGREEMENT

AGREEMENT, dated May 3, 1991, 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;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the

last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "DIY" means Daerah Istimewa Yogyakarta (Special Province of Yogyakarta);

(b) "FY" means the Borrower's fiscal year;

(c) "hamlet" means a dusun, a unit of a village (approximately ten hamlets comprise a village);

(d) "Project Area" means all 140 upland villages in DIY;

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

(f) "upland village" means a village where at least 30% of the area has slopes exceeding 15%; and

(g) "Yogyakarta Rural Development Project" means the Project described in the Development Credit Agreement (Yogyakarta Rural Development Project) dated August 13, 1979, between the Borrower and the Association.

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 fifteen million five hundred thousand dollars (\$15,500,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special 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, 1996 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 June 15 and December 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 with due diligence and efficiency and in conformity with appropriate administrative, agricultural, engineering, environmental 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, including without limitation on the foregoing unaudited accounts, as soon as available, but not later than four months after the end of each such fiscal year.

(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:

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

Cable address:

Telex:

FINMINISTRY
Jakarta

44319 DEPKEU-IA
45799 DJMLN-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
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/ A. Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works		80%
(a) Roads and bridges	5,300,000	
(b) Other	200,000	
(2) Equipment and furniture	1,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Technical assistance	2,300,000	100%
(4) Training	1,500,000	100% of foreign expenditures; 70% of local expenditures
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Village projects	1,100,000	65% of Borrower's grants
(6) For Part A of the Project		
(a) Hamlet projects	390,000	90%
(b) Research funds	590,000	90%
For Part B of the Project		
(c) Hamlet funds for onlending to farmers	450,000	90%
(d) Kecamatan projects	410,000	90%
(7) Land titling, and funds for designing, surveying and advising on farmer activities	660,000	90%
(8) Unallocated	1,500,000	

TOTAL 15,500,000
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2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) on accounts of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$1,000,000, may be made in respect of Categories (1)(b), (2) and (3) on account of payments made for expenditures before that date but after February 1, 1990; and

(b) on account of payments made for expenditures in respect of Category (1)(a):

(i) after April 1, 1992, until the Bank has received evidence satisfactory to the Bank that the Borrower: (A) has made budgetary allocations for FY 1992/93, satisfactory to the Bank, for operation and maintenance of the roads constructed or improved under this Project and under the Yogyakarta Rural Development Project; and (B) has made actual expenditures for the operation and maintenance of such roads during FY 1991/92, satisfactory to the Bank;

(ii) after April 1, 1993, until the Bank has received evidence satisfactory to the Bank that the Borrower: (A) has made budgetary allocations for FY 1993/94 which (1) maintain in real terms financing at the FY 1992/93 level for operation and maintenance of the roads constructed or improved under this Project and under the Yogyakarta Rural Development Project, and (2) provide incremental funding needed for efficient operation and maintenance thereof; and (B) has made actual expenditures for the operation and maintenance of such roads during FY 1992/93, satisfactory to the Bank;

(iii) after April 1, 1994, until the Bank has received evidence satisfactory to the Bank that the Borrower: (A) has made budgetary allocations for FY 1994/95 which (1) maintain in real terms financing at the FY 1992/93 level for operation and maintenance of the roads constructed or improved under this Project and under the Yogyakarta Rural Development Project, and (2) provide incremental funding needed for efficient operation and maintenance thereof; and (B) has made actual expenditures for the operation and maintenance of such roads during FY 1993/94, satisfactory to the Bank;

(iv) after April 1, 1995, until the Bank has received evidence satisfactory to the Bank that the Borrower: (A) has made budgetary allocations for FY 1995/96 which (1) maintain in real terms financing at the FY 1992/93 level for operation and maintenance of the roads constructed or improved under this Project and under the

Yogyakarta Rural Development Project, and (2) provide incremental funding needed for efficient operation and maintenance thereof; and (B) has made actual expenditures for the operation and maintenance of such roads during FY 1994/95, satisfactory to the Bank; and

- (v) after April 1, 1996, until the Bank has received evidence satisfactory to the Bank that the Borrower: (A) has made budgetary allocations for FY 1996/97 which (1) maintain in real terms financing at the FY 1992/93 level for operation and maintenance of the roads constructed or improved under this Project and under the Yogyakarta Rural Development Project, and (2) provide incremental funding needed for efficient operation and maintenance thereof; and (B) has made actual expenditures for the operation and maintenance of such roads during FY 1995/96, satisfactory to the Bank.

SCHEDULE 2

Description of the Project

The objective of the Project is to develop a sustainable and replicable approach to soil stabilization and agricultural development as a basis for improving incomes and living standards in upland areas, specifically in Yogyakarta, but also in similar areas throughout Java.

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: Upland Productivity and Stabilization

1. Improvement of microwatershed management of soil water resources and conservation/productivity to stabilize soil conditions in about 500 microwatersheds in about 80 upland hamlets, through activities such as: group planning in construction of runoff control structures; terrace rehabilitation; ground cover improvement; farm planning; and development of nurseries.

2. Establishing, and maintaining Upland Development Support Teams (UDST) to provide overall support for Project participation, select the microwatershed sites and conduct rapid rural appraisal of local conditions.

3. Development and testing of an improved slope stabilization technology for the Project Area through an uplands watershed systems action-research program, involving a multidisciplinary unit of agricultural scientists and socioeconomists.

4. Improving on-farm technology by carrying out extension services and displays throughout the Project Area (approximately 30-40 villages each year) conducted by subject matter programmers at rural extension centers and subject matter specialists in Dinas Pertanian (the district level food crops agency), allowing local farmers to choose the elements of technology packages that suit their specific farm conditions, financial and labor constraints.

5. Provision of goods and technical assistance in support of the above activities.

Part B: Upland Community Development

1. Increasing agricultural productivity as well as off-farm earnings by:

(a) providing loans to assist individuals in about 1,400 hamlets in the Project Area to acquire seasonal inputs and develop

alternative sources of income; and

(b) matching grants to about 140 villages in the Project Area to support productive investment for farm and off-farm activities.

2. Training of, and support for: (a) rural development staff at the district level and below in participatory planning techniques, administering self-help credit schemes, and generating baseline data on village-level socioeconomic conditions; and

(b) village and hamlet leaders in planning, executing and monitoring village projects.

Part C: Infrastructure Development

1. Upgrading about 175 km of existing village roads and about 20 bridges.

2. Improved maintenance on roads upgraded under Part C.1 above and on about 365 km of roads constructed under the Yogyakarta Rural Development Project, including improved monitoring.

3. Strengthening: (a) through training, public works agency staff at provincial and district (Kabupaten) levels to improve capacities in areas including, selection of road and bridge projects, construction of roads and monitoring construction and maintenance activities;

(b) the capacity of about 420 village leaders in labor-intensive road construction methods by providing training; and

(c) public works agency at district (Kabupaten) level through, inter alia, provision of equipment, vehicles and office buildings.

Part D: Institution Strengthening

Strengthening, at the national, provincial and local levels, the capacity to support and service upland communities and to coordinate decentralized upland development programs, by providing training, civil works, equipment, furniture, honoraria, support for provision of land titles and technical assistance.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 15, 1996	285,000
June 15, 1997	295,000
December 15, 1997	305,000
June 15, 1998	315,000
December 15, 1998	330,000
June 15, 1999	340,000
December 15, 1999	355,000
June 15, 2000	370,000
December 15, 2000	385,000
June 15, 2001	400,000
December 15, 2001	415,000
June 15, 2002	430,000
December 15, 2002	445,000
June 15, 2003	465,000
December 15, 2003	480,000
June 15, 2004	500,000
December 15, 2004	520,000
June 15, 2005	540,000

December 15, 2005	560,000
June 15, 2006	580,000
December 15, 2006	605,000
June 15, 2007	625,000
December 15, 2007	650,000
June 15, 2008	675,000
December 15, 2008	700,000
June 15, 2009	730,000
December 15, 2009	760,000
June 15, 2010	785,000
December 15, 2010	815,000
June 15, 2011	840,000

* 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

1. Except as provided in paragraph 3 of Part A of this Schedule, contracts for civil works may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Computers, equipment and furniture may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Bank; provided that, such items estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$500,000, 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.

3. Construction of village roads and bridges may be carried out by force account or by villagers under arrangements satisfactory 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 \$300,000 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 the Bank has authorized withdrawals 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. The Borrower shall, by April 1, 1993, have upgraded the agricultural research facilities in Yogyakarta to their full designed capacity, and, thereafter, operate such research stations on a permanent basis under the Borrower's Agency for Agricultural Research Development (Badan Penelitian dan Pengembangan Pertanian Departemen Pertanian/BADAN LITBANG PERTANIAN).

2. In order to carry out Schedule 2, Part B.1, the Borrower shall select subdistrict, village, and hamlet projects in accordance with criteria satisfactory to the Bank, which criteria shall include provisions that the physical and financial supervision of such projects shall be done by the district agencies.

3. The Borrower shall ensure that hamlet funds for purchasing seasonal inputs and developing alternative sources of income under Schedule 2, Part B.1(a), shall be onlent to individuals at an annual interest rate not lower than the annual interest rate charged by Bank Rakyat Indonesia under the BRI KUPEDES Scheme.

4. With respect to Schedule 2, Part C, the Borrower shall ensure that:

(a) at least 40% of the resources allocated under the Loan are provided to Gunung Kidul;

(b) village roads shall be selected in accordance with criteria satisfactory to the Bank;

(c) the Provincial public works authorities shall develop by December 31, 1991 and thereafter apply, a system, satisfactory to the Bank, to monitor the costs and physical progress of such Part;

(d) a system and related Action Plan, satisfactory to the Bank, of monitoring requirements for road repair and for maintaining village roads, shall be established by December 31, 1991;

(e) district public works authorities shall maintain asphalt village roads; and

(f) prior to the execution of realignment of roads that cut into slopes, the Bank shall have been furnished with a satisfactory environmental impact assessment.

5. The Borrower shall, together with the Bank, conduct a mid-term review of progress of the Project. Such review shall be held no later than June 30, 1993, and shall recommend specific steps to improve progress if necessary, including modifications to Schedule 1 to the Loan Agreement.

6. The Borrower shall select both the training institutions and students in accordance with criteria satisfactory to the Bank.

7. The Borrower shall ensure that adequate number of vehicles are available in a timely manner for the purposes of the Project.

8. The Borrower shall maintain, or cause to be maintained, the provincial working group for watershed systems action/research established by Governor of the Special Province of Yogyakarta Decree No. 80/TIM/1990, dated November 29, 1990.

9. The Borrower shall carry out the Project in accordance with an implementation schedule satisfactory to the Bank, including:

(a) by November 30, 1991, completion of the design of courses for hamlet council microwatershed planning, microwatershed activity group mobilization, and village level planning and management; and

(b) by November 30, 1991, have in place a land and water management advisor; community development advisor; outreach program design specialist; research methodology specialist; socioeconomist; upland agronomist/soil conservation planner; area development advisor; and village development monitoring advisor.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) - (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 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; (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.

