

CONFORMED COPY

LOAN NUMBER 4307 IND

Loan Agreement

(Northern Sumatra Region Road Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 1, 1998

LOAN NUMBER 4307 IND

LOAN AGREEMENT

AGREEMENT, dated May 1, 1998, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at

any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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, wherever used in this Agreement, have the following meanings:

(a) "AMDAL" means Analisis Mengenai Dampak Lingkungan, the Borrower's national procedures for the preparation of environmental impact assessment, including mitigation and monitoring measures established by Government Regulation No. 51 of 1993, of the Borrower;

(b) "AWP" means the annual work program adopted by March 31 in each year by a Project Province and the Participating Local Governments in its respective jurisdiction pursuant to the provisions of Part A. 1 (b) (ii) of Schedule 5 to this Agreement;

(c) "BANGDA" means the Directorate General of Regional Development of the Borrower's Ministry of Home Affairs (MHA) and any successor thereto;

(d) "BAPPEDA" means the Provincial Development Planning Board established and operating within each Project Province;

(e) "BAPPENAS" means the National Development Planning Agency of the Borrower and any successor thereto;

(f) "BINA MARGA" means the Directorate General of Highways of the Borrower's Ministry of Public Works (MPW) and any successor thereto;

(g) "DJA" means the Directorate General of Budget of the Borrower's Ministry of Finance (MOF);

(h) "DGLC" means the Directorate General of Land Communication of the Borrower's Ministry of Communications (MOC) and any successor thereto;

(i) "DLLAJ" means a Provincial Road Traffic and Transport Office;

(j) "DPUK" means a Kabupaten Public Works Office;

(k) "DPUP" means a Provincial Public Works Office;

(l) "ESIA" means the Borrower's sectoral environmental and social impact assessment dated July 11, 1997;

(m) "Fiscal Year" means the fiscal year of the Borrower commencing April 1 and ending March 31;

(n) "Implementing Agencies" means the central, provincial and local agencies,

offices and units, responsible for Project implementation referred to under Part A. 2 of Schedule 5 to this Agreement; and "Implementing Agency" means any of the Implementing Agencies;

(o) "Isolated Vulnerable People" means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof;

(p) "Kabupaten" means a level II autonomous local government (district) within a province of the Borrower;

(q) "Kanwil" means the provincial office of MOC;

(r) "Lead Implementing Agency" means BINA MARGA;

(s) "Participating Local Governments" means the Kabupaten listed in Part B of the Annex to Schedule 2 to this Agreement; and "Participating Local Government" means any of said governments;

(t) "Pimpro" means a project officer at the central level;

(u) "Project Performance Indicators" means those indicators designed to measure the Borrower's performance in achieving Project objectives as set forth in Schedule 6 to this Agreement;

(v) "PMU" means the Project Management Unit to be established and maintained by the Borrower within the Lead Implementing Agency pursuant to the provisions of Part A. 2 (b) of Schedule 5 to this Agreement;

(w) "Project Affected Persons" or "PAPs" means persons who, on account of the execution of Parts B. 1 and B. 2 of the Project, had or would have their: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected; and "Project Affected Person" or "PAP" means individually all those who qualify as Project Affected Persons;

(x) "Project Implementation Memorandum" or "PIM" means the memorandum of understanding agreed between BINA MARGA, BANGDA, the Project Provinces and DGLC, pursuant to the provisions of Section 3.04 (a) of this Agreement, as such PIM may be amended from time to time in agreement with the Bank;

(y) "Project Provinces" means the Borrower's provinces listed in Part A of the Annex to Schedule 2 to this Agreement; and "Project Province" means any one of such provinces;

(z) "Resettlement Action Plan" or "RAP" means a resettlement and rehabilitation action plan to be prepared by a Project Province pursuant to the Resettlement Guidelines;

(aa) "Resettlement Guidelines" means the resettlement policy framework, to be approved by each Project Province, described in Aceh SK No. 1/98 dated January 27, 1998, North Sumatra SK No. 593/1106/BPN/V/1998 dated January 23, 1998, West Sumatra SK No. 1/98 dated January 20, 1998, and Riau SK No. 394/SK/98 dated January 22, 1998, establishing procedural and institutional aspects pertaining to land acquisition and the resettlement, rehabilitation and compensation of PAPs under the Project, as such Resettlement Guidelines may be amended from time to time in agreement with the Bank;

(bb) "Rupiah" means the currency of the Borrower;

(cc) "SIA Guidelines" means the Borrower's technical guidelines for the preparation of social impact assessment, including mitigation measures pertaining to the AMDAL established by Decree No. KEP-299/11/1996 of the Borrower;

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

(ee) "Strategic Action Plan" means an action plan prepared by a Project Province to mitigate any social impact of the Project on Isolated Vulnerable People, taking into account the recommendations of the social impact assessment carried out pursuant to the provisions of the SIA Guidelines;

(ff) "Sub-project" means a specific investment in maintenance works, betterment works, capacity expansion or road network expansion detailed under Parts B. 1 and B. 2 of the Project; and

(gg) "Steering Committee" means the committee to be established and maintained within BAPPENAS pursuant to the provisions of Part A. 2 (a)(ii) of Schedule 5 to this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to two hundred thirty four million dollars (\$234,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in Bank Indonesia or in a state commercial bank on terms and conditions satisfactory to the Bank, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003, 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. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of 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, engineering, environmental, financial, social 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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) The Borrower shall, through BAPPENAS, enter into a project implementation memorandum with BINA MARGA, BANGDA, DGLC, and the Project Provinces on terms and conditions satisfactory to the Bank including those set forth in Part A. 1 of Schedule 5 to this Agreement.

(b) The Borrower shall, through BAPPENAS, exercise its rights under the Project Implementation Memorandum in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Project Implementation Memorandum or any provision 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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

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

(a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower through BAPPENAS, BINA MARGA, BANGDA, DGLC or any of the Project Provinces will be able to perform any of their respective obligations under the Project Implementation Memorandum; and

(b) the Resettlement Guidelines shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement or the ability of the Project Provinces or the Participating Local Governments to perform any of their obligations under their respective Annual Work Programs.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the events specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following are specified as additional matters, 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:

(a) that the Project Implementation Memorandum has been duly authorized or ratified by the Borrower, through BAPPENAS, and the Project Provinces, and is legally binding upon the Borrower and the Project Provinces; and

(b) that the Resettlement Guidelines have been duly approved by the Borrower and each Project Province and all necessary actions have been taken to enable the Resettlement Guidelines to be implemented in accordance with their respective terms.

Section 6.02. 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 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:

Ministry of Finance

c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

45799 DJMLN-IA
44319 DEPKEU-IA

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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/ Dorodjatun Kuntjoro-Jakti

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Javad Khalilzadeth-Shirazi

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 Dollars)	% of Expenditures to be Financed
(1) Civil works:		
(a) Kabupaten roads under Part B. 1(a) (i) and (b) and B. 2 of the Project	113,600,000	75%

(b)	National and provincial roads under Part B.1 (b) and B. 2 of the Project	74,500,000	75%
(c)	Design and supervision under Part B. 1(a) (i) and (b) and B. 2 of the Project	8,600,000	100%
(2)	Goods	3,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of other items procured locally
(3)	Consultants' services under Parts A and C of the Project	13,100,000	100%
(4)	Unallocated	21,200,000	
	TOTAL	234,000,000	

2. For the purposes of this Schedule:

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

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

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

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments under Categories (1) (a) and (1) (b), with respect to expenditures incurred under any Sub-project unless: (i) the Sub-project has been selected in accordance with the criteria described under Part B. 3 of Schedule 5 to this Agreement; (ii) the Bank has approved such Sub-project, and (iii) where applicable, the implementation of the RAP, the AMDAL and the Strategic Action Plan for such Sub-project has been found acceptable to the Bank.

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: (a) goods costing less than \$200,000 equivalent; (b) civil works for Kabupaten roads under Part B. 1 (a)(i) and (b) and B. 2 of the Project costing less than \$1,500,000 equivalent; (c) civil works for national and provincial roads under Part B. 1(a) and (b) and B. 2 of the Project costing less than \$3,000,000 equivalent except the first contract for works for betterment and the first contract for periodic maintenance for Kabupaten roads, and (d) the employment of consulting firms valued at less than \$100,000 equivalent each, and the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in improving transport efficiency and accessibility in the Project Provinces.

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: Planning and Management of Transport Infrastructure in the Project Provinces

1. Development and issuance by BAPPENAS of decision criteria and guidelines for increased regional and provincial autonomy in transport planning and management, including provision of consultants' services.
2. Development of the Borrower's strategic transport planning capacity, including (i) a definition of a regional transport strategy, the preparation of long-term transport plans, the carrying out of feasibility studies and the provision of specialized survey equipment in the Project Provinces; and (ii) the carrying out of transport studies in other regions in the territory of the Borrower.
3. Strengthening of the process for planning and programming road expenditures, at the provincial level, including: (i) planning surveys and analysis; (ii) environmental screening and analysis; (iii) audit, monitoring and eligibility review; (iv) programming and budgeting; (v) financial and physical monitoring; and (vi) database establishment and maintenance, through the provision of consultants' services assistance and training of staff of the Implementing Agencies.

Part B: Improvement of the National, Provincial and Kabupaten Road Network in the Project Provinces

1. Regional Road Network Preservation
 - (a) Carrying out a program of (i) periodic works, and (ii) routine maintenance works, on the strategic road networks by the Participating Local Governments.
 - (b) Carrying out a program of betterment works, including, where necessary, minor widening, of roads, on national, provincial and Kabupaten roads.
 - (c) Resettlement and rehabilitation of Project Affected Persons under paragraph (b) above.
2. Regional Road Network Development
 - (a) Carrying out a program of capacity expansion, including major widening, of national and provincial roads.
 - (b) Carrying out a program of road network extension, including new construction and upgrading on national, provincial and Kabupaten roads.
 - (c) Resettlement and rehabilitation of Project Affected Persons under paragraphs (a) and (b) above.

Part C: Development of Resource Use and Service Delivery in the Project Provinces

1. Enhancement of the quality and technical efficiency of road construction activities of DPUP and DPUK by:
 - (a) setting up construction contract monitoring and control processes;
 - (b) improving the road design process;
 - (c) improving the construction audit process;
 - (d) facilitating quality construction; and
 - (e) improving technical and contractual matters, through the provision of consultants' services and on-the-job training for provincial staff.
2. Implementation of a national policy and an action plan to enhance traffic safety and reduce vehicle overloading through the provision of consultants' services, the acquisition of specialized equipment and the carrying out of related civil works.

* * *

The Project is expected to be completed by June 30, 2003.

Annex to Schedule 2

Part A. Project Provinces

1. Aceh
2. North Sumatra
3. West Sumatra
4. Riau

Part B. Participating Local Governments (Kabupaten)

1. Province of Aceh
 - (a) Kabupaten Aceh Besar
 - (b) Kabupaten Pidie
 - (c) Kabupaten Aceh Utara
 - (d) Kabupaten Aceh Tengah
 - (e) Kabupaten Aceh Timur
 - (f) Kabupaten Aceh Tenggara
 - (g) Kabupaten Aceh Barat
 - (h) Kabupaten Aceh Selatan
 - (i) Kabupaten Simeulue
2. Province of North Sumatra
 - (a) Kabupaten Nias
 - (b) Kabupaten Tapanuli Selatan
 - (c) Kabupaten Tapanuli Tengah
 - (d) Kabupaten Tapanuli Utara
 - (e) Kabupaten Labuhan Batu
 - (f) Kabupaten Asahan
 - (g) Kabupaten Simalungun
 - (h) Kabupaten Dairi
 - (i) Kabupaten Karo
 - (j) Kabupaten Deli Serdang
 - (k) Kabupaten Langkat
3. Province of West Sumatra
 - (a) Kabupaten Pesisir Selatan
 - (b) Kabupaten Solok
 - (c) Kabupaten Sawahlunto/Sijunjung
 - (d) Kabupaten Tanah Datar
 - (e) Kabupaten Padang Pariaman
 - (f) Kabupaten Agam
 - (g) Kabupaten Limapuluh Kota
 - (h) Kabupaten Pasaman
4. Province of Riau
 - (a) Kabupaten Kampar
 - (b) Kabupaten Indragiri Hulu
 - (c) Kabupaten Indragiri Hilir
 - (d) Kabupaten Bengkalis
 - (e) Kabupaten Kepulauan Riau

SCHEDULE 3

Interest and Principal Repayment

Provisions A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) LIBOR Base Rate; plus

(ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) Fixed Base Rate; plus

(ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

(i) one half of one percent (1/2 of 1%);

(ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based

on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

(i) one-half of one percent (1/2 of 1%);

(ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus

(iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each February 15 and August 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after August 15, 2013, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be

procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each, and contracts for works shall be grouped in bid packages estimated to cost \$3,000,000 equivalent or more each.

(c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(d) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(e) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$3,000,000 equivalent per contract, up to an aggregate amount not to exceed \$137,900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (i) each contract for works for national and provincial roads

estimated to cost the equivalent of \$3,000,000 or more under Part B. 1 (a)(i) and (b) and B. 2 of the Project, (ii) each contract for works for Kabupaten roads estimated to cost the equivalent of \$1,500,000 or more under Part B. 1 (a)(i) and (b) and B. 2 of the Project, (iii) the first contract for works for betterment and the first contract for periodic maintenance for Kabupaten roads under Part B.1 (a)(i) and (b) of the Project, and (iv) each contract for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

Part A: Implementation Arrangements

1. Project Implementation Memorandum

Except as the Bank shall otherwise agree, the Project Implementation Memorandum shall include the following undertakings:

(a) The Borrower shall designate: (i) BINA MARGA as the Lead Implementing Agency; and (ii) each Project Province as principal Implementation Agency in its respective jurisdiction.

(b) (i) Each Project Province shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and to this end shall carry out its respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, social and resettlement practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project by the Participating Local Government under its jurisdiction.

(ii) To this end, each Project Province shall take all such action as shall be necessary to ensure that by not later than March 31 in each year, starting on March 31, 1999, until the completion of the Project, an annual work program (Annual Work Program) is jointly adopted by the Project Province and each Participating Local Government in its respective jurisdiction, in accordance with model terms and conditions which shall have been approved by the Bank, including the scope, costs, time-based implementation schedules, financing plan and budget arrangements for all components of the Project proposed for the upcoming Fiscal Year.

(c) Each Project Province, through DPUP, shall ensure that procurement of the goods, works and consultants' services required for its Sub-projects to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

(d) Each Project Province shall cause the Participating Local Governments within its jurisdiction to use the goods and services financed out of the proceeds of the Loan exclusively for the purposes of the Project.

(e) The Borrower and each Project Province shall closely monitor the implementation of all proposed activities, and shall inspect, from time to time, the goods, works and services under its Sub-projects including all records and documents relating thereto.

(f) Each Project Province shall cause the Participating Local Governments within its jurisdiction to promptly inform the PMU of any condition which interferes or threatens to interfere with the progress of their respective Sub-projects and ensure that appropriate corrective measures are taken by the relevant Participating Local Governments.

(g) The Borrower and each Project Province shall:

(i) from time to time, at the request of either the Borrower, the Project Province or the Bank, exchange views with the Participating Local Governments regarding progress achieved in the carrying out of their respective Sub-projects; and

(ii) furnish to the Bank all such information and documents related thereto as may reasonably be requested. The Project Province shall further agree to obtain such information and documents from Participating Local Governments as may be required by the Borrower

to fulfill its supervision, monitoring, recording and reporting obligations to the Bank.

2. Implementing Agencies

Responsibility for implementation of the Project shall be vested in the Implementing Agencies as follows:

(a) Central Agencies

(i) BAPPENAS shall be responsible for: (A) ensuring close coordination of Project activities among DJA, BINA MARGA, BANGDA, DGLC, the Project Provinces, and the Participating Local Governments; and (B) the carrying out of Part A.1 of the Project.

(ii) In discharging the above-described responsibilities, BAPPENAS shall establish and thereafter maintain until the completion of the Project, the Steering Committee. The Steering Committee shall be assigned with such functions, powers, funds and qualified and experienced staff as shall be required to enable the Steering Committee to undertake overall coordination of the Project.

(iii) MPW, through BINA MARGA, shall be responsible for the overall technical supervision and management of Project implementation. BINA MARGA shall delegate to the Project Provinces the day-to-day management responsibilities pertaining to the implementation of provincial and local Sub-projects.

(iv) MOF, through DJA, shall be responsible for the management of the Special Account.

(v) MHA, through BANGDA, shall be responsible for: (A) the administration of the local roads program; and (B) the strengthening of its provincial database on road planning and progress in the implementation of the program of works financed under the Project.

(vi) MOC, through DGLC, shall be responsible for the implementation of Part C. 2 of the Project.

(b) Project Management Unit

(i) In discharging its implementation responsibilities, BINA MARGA shall establish and, thereafter, maintain throughout Project implementation, the PMU, chaired by the Director of Bina Program, with competent and qualified staff in adequate numbers. Such staff shall include: (A) a full-time Project officer assigned with appropriate functions, responsibilities, resources and funds, and (B) other key staff.

(ii) The PMU shall be responsible, inter alia, for: (A) the day-to-day management of the Project; (B) ensuring the technical quality of Project activities, and undertaking annual technical audits for Project quality assurance in accordance with terms of reference acceptable to the Bank; (C) reviewing and approving proposed Sub-projects and furnishing them to the Bank for approval; (D) issuing standard operating procedures and related guidelines for the implementation of Sub-projects by Implementing Agencies; (E) planning and monitoring of consultants' services financed under the Project; (F) monitoring the implementation of Sub-projects approved by the Bank; (G) establishing, maintaining and monitoring accounting and auditing procedures and documentation, including the preparation and consolidation of Project accounts; (H) supervising the implementation of social and environmental mitigation measures; and (I) preparing the monthly, quarterly and annual progress reports on overall Project implementation, and furnishing said reports to the Bank for its review and approval.

(iii) The PMU shall furnish to the Bank not later than July 31, 1998, the baseline values for purposes of Schedule 6 to this Agreement.

(c) Provincial and Local Government Agencies

(i) The BAPPEDA in each Project Province shall be responsible for: (A) carrying out the transport strategy, preparing the long-term transport plan and carrying out the feasibility studies under Part A. 2 of the Project, and carrying out Part A. 3 of the Project; and (B) ensuring coordination of Project activities at the provincial level.

(ii) Each Project Province shall maintain until the completion of the Project a Provincial Environmental Unit (BAPEDALDA) in charge of environmental oversight of Project activities, all with terms of reference, staffing and resources acceptable to the Bank.

(iii) The BAPPEDA II in each Participating Local Government shall be responsible for the overall supervision of Sub-projects under its respective jurisdiction, including programming and planning of civil works under such Sub-projects. For this purpose each Participating Local Government shall assign, and thereafter maintain until Project completion, qualified and experienced technical officers who shall carry out the day-to-day coordination activities.

(iv) The DPUP in each Project Province shall be responsible for technical planning, programming, implementation and monitoring of provincial Sub-projects under Parts B.1 and B.2 of the Project.

(v) The DPUK in each Participating Local Government shall be responsible for technical planning, programming, implementation and monitoring of local Sub-projects under Parts B. 1 and B. 2 of the Project.

(vi) The DLLAJ in each Project Province shall be responsible for the implementation of Part C. 2 of the Project in the respective Project Province.

Part B: Implementation Actions

1. The Borrower shall and shall cause the Project Provinces to:

(a) maintain policies and procedures adequate to enable the Borrower and the Project Provinces to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30 in each year, commencing September 30, 1998, and until completion of the Project: (i) a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (ii) draft Annual Work Programs proposed for the following Fiscal Year, including the draft annual maintenance program for each Participating Local Government; and

(c) review with the Bank, by October 31 in each year, or such later date as the Bank shall request, commencing October 31, 1998, and until completion of the Project:

(i) the report referred to in paragraph (b) of this Section;

(ii) the progress achieved by the Implementing Agencies in carrying out the Project;

(iii) the progress achieved in: (A) carrying out the RAPs, and the timely provision of local counterpart funds to finance such RAPs; and (B) preparing social impact assessments pursuant to the provisions of the SIA Guidelines, and the timely implementation of strategic action plans proposed under such assessments;

(iv) the performance of the Project Provinces and the Participating Local Governments under the Annual Work Programs during the previous Fiscal Year and the draft Annual Work Programs proposed for the following Fiscal Year;

(v) the level of expenditures incurred by the Project Provinces to finance the costs of maintenance of infrastructure financed under the Project, during the previous Fiscal Year and the allocations proposed for the following Fiscal Year;

(vi) the evaluation of the progress in the implementation of the action plan under Part C. 2 of the Project;

(vii) the monitoring of the implementation of environmental management and monitoring plans and activities pursuant to the provisions of the AMDAL and the ESIA; and

(viii) the exchange of information among Implementing Agencies and the proposed solutions to any current Project implementation issue; and

(d) promptly thereafter, take all measures required to ensure the efficient implementation and completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said annual reviews and the Bank's views on the matter.

2. In accordance with the Borrower's commitment to the protection of the interests of Isolated Vulnerable People, the Borrower shall:

(a) ensure that the benefits that the Isolated Vulnerable People receive under the Project are in harmony with their economic, social and cultural preferences;

(b) through a process of informed participation, involve concerned Isolated Vulnerable People in the preparation of the Sub-projects to be carried out under Part B of the Project, including the relevant Strategic Action Plans prepared pursuant to the provisions of the SIA Guidelines; and

(c) mitigate or avoid adverse effects on Isolated Vulnerable People caused or likely to be caused by the Project.

3. In carrying out Parts B. 1 and B. 2 of the Project, the Borrower shall cause the Project Provinces to select Sub-projects to be financed under the Project using technical, financial, social, resettlement, environmental and economic criteria and community consultation procedures acceptable to the Bank. Such criteria shall include, without limitation:

(a) for each Subproject a projected minimum economic rate of return of 15% percent shall be required;

(b) for each Sub-project, involving the involuntary resettlement of any PAPs, a RAP has been prepared in accordance with the Resettlement Guidelines and in consultation with said PAPs, and such RAP has been approved by the Bank;

(c) for each Sub-project aimed at repairing road damages caused by vehicle overloading, an action plan to address the sources of such overloading has been prepared by the respective Project Province and furnished to the Bank for approval;

(d) for each Sub-project involving Isolated Vulnerable People, a social impact assessment pursuant to the provisions of the SIA Guidelines has been prepared,

including if necessary a proposed strategic action plan, and such assessment and plan have been approved by the Bank; and

(e) for each Sub-project, the environmental impact assessment requirements have been completed pursuant to the provisions of AMDAL, the ESIA and to terms and conditions which shall have been approved by the Bank.

4. The Borrower shall and shall cause the Project Provinces and the Participating Local Governments responsible for the implementation of Sub-projects to carry out the RAPs, the social impact assessments and Strategic Action Plans pursuant to the provisions of the SIA Guidelines; and the environmental management and monitoring plans pursuant to the provisions of AMDAL and the ESIA.

5. In carrying out the regional transport studies described under Part A. 2 of the Project, the Borrower shall:

(a) carry out the studies in accordance with terms of reference and timing acceptable to the Bank;

(b) furnish to the Bank for comments, not later than June 30, 1999, the recommendations of the studies;

(c) promptly thereafter prepare a program of proposed investments in the road sector taking into account the comments of the Bank on the recommendations of the studies.

6. For the purposes of Part C. 2 of the Project the Borrower shall through DGLC:

(a) appoint and, thereafter, maintain until completion of the Project, a qualified Pimpro in DGLC and a qualified technical Project officer in each Kanwil;

(b) by not later than June 30, 1998, prepare, and furnish to the Bank for its review and comment, a draft of the technical, institutional and legal measures proposed to ensure the implementation of the Borrower's policy and action plan to reduce vehicle overloading to the public road network and improve traffic safety, with particular emphasis on the role and functions of staff of DGLC, the Traffic Police, the Project Provinces and the Participating Local Governments responsible for the implementation of said policy and action plan; and

(c) by not later than August 31, 1998, implement the action plan referred to in subparagraph (b) of this Section, in accordance with a timetable acceptable to the Bank, and taking into account any comments arising out of the Bank's review.

7. The Borrower shall, and shall cause the Project Provinces to, carry out the training described under Part A. 3 of the Project, in accordance with programs and implementation timetables acceptable to the Bank.

SCHEDULE 6

PERFORMANCE INDICATORS

Key Performance Indicators for the Northern Sumatra Regional Road Project (NSRRP)

Project Outputs

Indicator	Complete	Type	1999	2002
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A. Planning and management of transport infrastructure in the region integrated and strengthened towards a sustainable level, within GOI's decentralised framework.1
Planning and management of transport infrastructure.

1.1 Strategic Planning:

- % of all projects implemented WITHOUT appropriate studies

1.2. Environmental Screening:

- % of all projects implemented WITHOUT appropriate EIA/SIA studies

Impact

Measured

Measured

Reduced 20%

Reduced 50%

Reduced 20%

Reduced 25%

Reduced 20%

Reduced 25%

2. Database establishment and use

2.1 operation of the database for:

- KRMS.(K1/A1/A10/UR1/RD1);

- Monitoring (RF1etc.

- Mapping etc.

2.2. quality of data % reliable Output

Impact

Measured Measured Measured Measured

Improve 50% Improve 50% Improve 50% Improve 20%

Improve 20% Improve 20% Improve 20% Improve 20%

Improve 20% Improve 20% Improve 20% Improve 20%

3. Programming improvements

3.1 Planning data available for Rakorbang (P1/P2) and AWP % of programme.

3.2. Maintenance surveys completed for Rakon: S1 % maintenance links MS2 % periodic maintenance links

Impact

Output

Measured

Measured

Improve 50%

Improve 50%

Improve 50%

Improve 20%

Improve 20%

Improve 50%

Improve 20%

Improve 20%

Improve 50%

4. Kabupaten surveys and link status by kabupaten Annual Targets to be defined in 1998.

4.1. % of Network NOT Surveyed: Strategic network Whole network

4.2.% of Network with reliable LHR/Population

Output

Output

Output

Measured

Measured

Measured

Decrease 20%

Decrease 20%

Increase 30%

Decrease 20%

Decrease 20%

Increase 20%

<5% Decrease20% >80%

5. Annual Work programmes

5.1. % of annual works in 5yr plan Implemented.

5.2. % of works implemented NOT in 5yr plan.

5.3. % of maintainable network NOT maintained: Strategic Network Whole Network

Impact

Impact

Impact

Impact

Definition of 5 year plans

Measured

Measured

>70% <25%

Reduce 20%

Reduce 20%

>80% <15%

Reduce 20%

Reduce 20%

>90% <10%

<10% <30%

B. Development and preservation of the road networks in the project area accelerated towards environmentally sustainable and economically efficient levels.

(Physical targets of updated AWP achieved.)

1. Physical Outputs

1.1 Network Capacity: a.Lane-km of new road construction
b.Lane-km of Capex built 1.2 Road Condition

1.2.1 KR in NON-maintainable Condition: Strategic Network (JJS) Strategic Network (Other)

1.2.2 Existing Constructed NP Roads in NON- maintainable Condition

Output

Output

Impact

Impact

Output

To be defined when AWP programme agreed

Defined

Measured

Measured

80%

80%

Reduced 20%

Reduced 20%

Reduced 10%

Reduced 10%

90%

90%

Reduced 20%

Reduced 20%

Reduced 10%

Reduced 10%

95%

95%

<5%

Reduced 20%

Reduced 10%

Reduced 10%

2. AMDAL Social and Environmental Impact: . % of projects WITHOUT satisfactory AMDAL/ environmental assessment.

Impact

Measured

Reduce 50%

Reduce 25%

Reduce 25%

C. Resource use and service delivery improved through gains in policy implementation and technical efficiency.

1. Vehicle Weights and Dimensions

1.1. Survey of overloading (No Vehicles weighed)

1.2. Enforcement (No vehicles fined)

1.3. WIM % Overloaded vehicles

Output

Output

Impact

Monitored

Monitored

Baseline

Monitored

Monitored

Reduced

Monitored

Monitored

Reduced

Monitored

Monitored

Reduced

2. Road safety: Accident Rate & fatalities /10,000 vehicles

Impact

Measured

Reduced

Reduced

Reduced

3. Improved quality of construction /supervision

3.1. Contract tendering procedures NOT properly followed % by appropriate time

3.2. Contracts NOT implemented in accordance with documentation

Output

Output

Measured

Measured

Reduced 20%

Reduced 20%

Reduced 20%

Reduced 20%

Reduced 20%

Reduced 20%

*See paragraph 2(b)(iii) of Part A of Schedule 5 to the Loan Agreement.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) 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 \$15,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$7,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$30,000,000.

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 deposit into the Special Account of an amount or amounts 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 into 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 para graph 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments 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.

