

CONFORMED COPY

TF024032 BH

Trust Fund Credit Agreement

(Water, Sanitation and Solid Waste Urgent Works Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION (Acting as Trustee of the  
Trust Fund for Bosnia and Herzegovina)

Dated April 1, 1996

TF024032 BH

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated April 1, 1996 between BOSNIA and HERZEGOVINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), acting as trustee (the Trustee) of the Trust Fund for Bosnia and Herzegovina as hereinbelow described.

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development, acting on the recommendation of its Board of Executive Directors, decided on February 23, 1996, to transfer from the surplus of the Bank, by way of grant, \$150,000,000 to a trust fund for Bosnia and Herzegovina (the Trust Fund), established by Resolutions of the Executive Directors of the Bank (Resolution No. 96-1) and the Association (Resolution No. IDA 96-1) and to be administered by the Association, to be used for financing an emergency reconstruction program in the territory of the Borrower; and

(B) the Borrower has requested the Trustee to assist in financing the project described in Schedule 2 to this Agreement (the Project); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement and the General Conditions, set forth in Schedule 6 to this Agreement, have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Federation" means the Federation of Bosnia and Herzegovina;
- (b) "MAWF" means the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, and includes any successor or successors thereto;
- (c) "VBH" means Vodoprivreda BiH of the Federation established on February 12, 1991;
- (d) "Projects Development Department" means the department to be established within VBH pursuant to paragraph A.1 of Schedule 4 to this Agreement;
- (e) "Regional Project Offices" means the offices to be established pursuant to paragraph A.2 of Schedule 4 to this Agreement;
- (f) "Procurement Review Committee" means the committee to be established pursuant to Section 5.01 (b) of this Agreement;
- (g) "Subsidiary Finance Agreement" means the agreement, satisfactory to the Trustee, to be entered into between the Borrower and the Federation, pursuant to Section 3.01 of this Agreement, as the same agreement may be amended from time to time;
- (h) "Eligible Municipality" means any municipality which meets the eligibility criteria set forth in paragraph B.1(e) of Schedule 4 to this Agreement, including, inter alia, Sarajevo, Tuzla, Zenica, Bihac and Travnik;
- (i) "Subsidiary Agreement" means any agreement entered into between the Federation, through VBH, and an Eligible Municipality pursuant to paragraph B.1(a) of Schedule 4 to this Agreement, as the same may be amended from time to time, and such terms includes all schedules supplemental to the Subsidiary Agreement;
- (j) "Sub-credit" means a loan made or proposed to be made to an Eligible Municipality; and
- (k) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Trustee agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars, a special deposit account in a commercial bank or the Central Bank on terms and conditions satisfactory to the Trustee, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Trustee a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set

by the Trustee as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Trustee shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Trustee a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 2006 and ending January 1, 2036. Each installment to and including the installment payable on January 1, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### 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, without any limitation or restriction upon any of its other obligations under the Trust Fund Credit Agreement, shall cause the Federation to carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, administrative, financial and environmental practices, and to this end shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Federation to carry out the Project and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by the Federation.

(b) For purposes of the carrying out by the Federation of the Project, the Borrower shall relend the proceeds of the Credit to the Federation under a Subsidiary Finance Agreement to be entered into between the Borrower and the Federation under terms and conditions which shall have been approved by the Trustee, which shall include those described in the Implementation Program set forth in Schedule 4 to this Trust Fund Credit Agreement, as such Implementation Program shall be modified from time to time by the agreement of the Borrower and the Trustee.

(c) The Borrower shall exercise its rights under the Subsidiary Finance Agreement in such a manner as to protect the interests of the Borrower and the Trustee and to accomplish the purposes of the Credit, and, except as the Trustee shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Finance Agreement or any provision of any such agreement.

Section 3.02. Except as the Trustee 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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall, or shall cause the Federation to:

(a) prepare, on the basis of guidelines acceptable to the Trustee, and

furnish to the Trustee 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 Trustee, a plan designed to ensure the continued achievement of the Project's objectives; and

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

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause the Federation to maintain 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 and the Federation responsible for carrying out the Project or any part thereof.

(b) The Borrower shall and shall cause the Federation to:

- (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 Trustee;
- (ii) furnish to the Trustee, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records, accounts and the audit thereof as the Trustee shall from time to time reasonably request.

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

- (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 Trustee has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives, based on an appropriate notice, 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

##### Effectiveness; Termination

Section 5.01. For purposes of Section 12.03 of the General Conditions, the following events are specified as conditions to the effectiveness of this Agreement:

(a) the Subsidiary Finance Agreement shall have been executed with terms and conditions satisfactory to the Trustee; and

(b) the Procurement Review Committee shall have been established as set forth in paragraph A.3 of Schedule 4 to this Agreement.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Trustee, namely that the Subsidiary Finance Agreement entered into between the Borrower and the Federation has been duly authorized or ratified by, and is legally binding upon, the parties to it in accordance with the terms of such agreement.

Section 5.03. The date ninety (90) days after the date of this Trust Fund Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Rtg. Djare Pucara Starog 3  
71000 Sarajevo  
Bosnia and Herzegovina

Cable address:

Telex:

For the Trustee:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, D.C.

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

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

BOSNIA AND HERZEGOVINA

By /s / H. Muratovic

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(Acting as Trustee of the Trust Fund for  
Bosnia and Herzegovina)

By /s / J. Wolfensohn

Authorized Representative

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the

Credit, the allocations of the amount of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works under Part B of the Project	5,000,000	100% (net of taxes)
(2) Force Account under Part B of the Project	2,000,000	100% (net of taxes)
(3) Goods under Parts A and B of the Project	9,730,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(4) Consultants' Services and training under Parts B, C and D of the Project	900,000	100%
(5) Commercial services under Parts A and B of the Project	370,000	100%
(6) Incremental Operating Costs under Part D of the Project	1,000,000	100%
(7) Unallocated	1,000,000	
TOTAL	20,000,000	

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;

(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 provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "Commercial Services" means procurement, domestic transport, handling, storage, and local distribution services; and

(d) the term "Incremental Operating Costs" means the costs of incremental staff, rent, services, staff travel, consumable office supplies and other resources of the VBH and the Eligible Municipalities required to implement the Project as may be agreed by the Trustee.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Trustee may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (a) expenditures for goods under contracts not exceeding \$2,000,000 equivalent; (b) expenditures for works not exceeding \$1,000,000 equivalent; (c) expenditures for works procured according to force account procedures as set forth in Section I, Part C.7 of Schedule 3 to this Agreement; (d) contracts for employment of consulting firms and commercial services not exceeding \$100,000 equivalent; (e) Incremental Operating Costs; and (f) contracts for employment of

individual consultants not exceeding \$50,000 equivalent, each under such terms and conditions as the Trustee shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to restore municipal water supply, sanitation and solid waste services to remove significant risks to public health; (ii) to strengthen the institutions for the provision of water supply, sanitation and solid waste services; and (iii) to prepare an improvement program to restore municipal water supply, sanitation and solid waste services to prewar levels.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Trustee may agree upon from time to time to achieve such objectives:

#### Part A: Supply of Equipment and Materials

Provision of rolling stock and construction equipment, pipes, fittings, repair materials and small tools to meet urgent requirements for the operation of the water supply, sanitation and solid waste disposal systems.

#### Part B: Urgent Works

Rehabilitation and repair of the water source infrastructure and water distribution networks, testing and replacement of meters, cleaning of the sewerage collection system and repair and/or replacement of broken sewerage collectors in Eligible Municipalities.

#### Part C: Emergency Development Plan for Water Supply, Sanitation and Solid Waste

Preparation of a needs assessment and an emergency development plan for about 70 municipalities in the Federation (except Sarajevo and Mostar) and the provision of technical assistance for this purpose.

#### Part D: Institutional Strengthening

Strengthening of the capacity of sector organizations and municipalities of the Federation in strategic planning, sector organization, project management, computer skills, financial management, maintenance management and reduction of unaccounted water and the provision of technical assistance, training and equipment for this purpose.

#### Part E: Project Preparation

Preparation of final designs, technical specifications and bidding documents for projects identified in the emergency development plan to be prepared under Part C of the Project.

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The Project is expected to be completed by June 30, 1998.

## SCHEDULE 3

### Procurement and Consultants' Service

#### 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 (the Guidelines) and the following provisions of this Section, as applicable.

##### 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. Section II of the Guidelines is modified to provide that: (i) the General Procurement Notice (GPN) shall also be published in the local press; (ii) individual advertisement for specific contracts shall also be published in the local press; (iii) the period allowed for submission of bids shall be four weeks; and (iv) bid and payment currency shall be limited to one currency widely used in international trade.

3. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraphs 1 and 2 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) 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.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods: (i) estimated to cost more than \$2,000,000 equivalent but less than \$5,000,000 equivalent per contract, or (ii) which the Trustee agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines. In addition, the list of suppliers shall be derived from, inter alia, the expressions of interest received in response to the GPN. Bidding documents may provide that the bidders can send their bids by fax, in which case bid security shall not be required. Furthermore, the entity responsible for procurement shall be required to put in place mechanisms to ensure confidentiality of bids received by fax.

2. National Competitive Bidding

Works estimated to cost \$5,000,000 equivalent or less per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines with the following modifications:

- (i) General prequalification will be carried out through advertising in the local press. The list of prequalified bidders will be updated from time to time as a result of new expression of interest and information submitted by qualified contractors;
- (ii) prequalified bidders will be allowed a minimum of four (4) weeks to submit their bids;
- (iii) bidding documents will follow the formats of the National Competitive Bidding documents agreed with the Trustee;
- (iv) if interested, foreign bidders will be allowed to submit bids;
- (v) bids will be submitted in sealed envelopes, and both mailed and hand-carried bids will be accepted;
- (vi) all bids will be opened at the same time in public;
- (vii) contracts will be awarded to the lowest evaluated bidder; and
- (viii) bidders will not be asked, nor allowed to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$1,000,000 per contract, may be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Trustee, and



relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

4. International Shopping

Goods estimated to cost more than \$200,000 equivalent but less than \$2,000,000 equivalent per contract 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 and using standard documentation agreed with the Trustee.

5. National Shopping

Goods estimated to cost \$200,000 equivalent or less per contract may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

6. Direct Contracting

Goods which are of a proprietary nature may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

7. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$150,000 equivalent or less, may, with the Trustee's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

8. Procurement from UN Agencies

Goods may be procured from UN agencies such as FAO, ILO, UNICEF and WHO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Trustee 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 Trustee for its review and approval, in accordance with the provisions of paragraph 1 to 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 Trustee, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract to be awarded in accordance with the provisions of Section I, Part B, Part C.1, C.6 and C.7 of this Schedule; (ii) the prequalification criteria and documentation to be included in the invitation to prequalify under Section I, Part C.2 of this Schedule; and (iii) the first three (3) contracts awarded under each of Section I, Parts C.2, C.4 and C.8, the procedures set forth in paragraphs 2 and 3 of Appendix I to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services, including Commercial Services (as such term is defined in paragraph 2 (c) of Schedule 1 to this Agreement), shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Trustee, with such modifications as shall have been agreed by the Trustee. Where no relevant standard contract documents have been issued by the Trustee, other standard forms acceptable to the Trustee shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of

the Consultant Guidelines requiring prior Trustee review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Trustee review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Trustee, or (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 4

##### Implementation Program

Except as the Borrower and the Trustee shall otherwise agree, the Borrower shall lend the proceeds of the Credit to the Federation on the same terms and conditions as set forth in Sections 2.04, 2.05, 2.06 and 2.07 of this Trust Fund Credit Agreement, and the Subsidiary Finance Agreement shall contain the following Project implementation arrangements:

##### A. Project Management

1. The Federation shall, by June 30, 1996, cause VBH to establish and thereafter until completion of the Project, maintain a Projects Development Department with adequate staff, funds, facilities and other resources reasonably required to carry out the Project in a manner satisfactory to the Trustee.

2. The Federation shall cause VBH, by July 30, 1996, to establish and thereafter, until completion of the Project, maintain Regional Project Offices with adequate staff, funds, facilities and other resources reasonably required to supervise the subprojects carried out by the Eligible Municipalities in a manner satisfactory to the Trustee.

3. For the purposes of ensuring that the procurement of goods, works and services is carried out in accordance with the procedures stipulated for that purpose, the Federation shall establish a Procurement Review Committee which shall, inter alia, be responsible for the approval of final recommendations of contract awards. The membership of the Procurement Review Committee shall include the Assistant Minister of MAWF as the chairman, the director of VBH as the secretary and three other members with qualifications and experience satisfactory to the Trustee, one of whom will be selected from one of the Eligible Municipalities. The Federation shall ensure that the Procurement Review Committee shall be assisted by procurement advisors satisfactory to the Trustee.

##### B. Parts A, B and D of the Project

1. For the purpose of carrying out Parts A, B and D of the Project the Federation shall, through the VBH:

(a) relend to the Eligible Municipalities the equivalent of the proceeds of the Credit allocated from time to time to Categories of the table set forth in paragraph 1 of Schedule 1 to this Trust Fund Credit Agreement under Subsidiary Agreements to be entered into between the Federation and each such Eligible Municipality, under terms and conditions which shall have been approved by the Trustee, and which shall include, without limitation, those set forth in paragraph B.2 to this Schedule;

(b) monitor the overall execution of Parts A, B and D of the Project and the carrying out by the Eligible Municipalities of their obligations under their respective Subsidiary Agreements in accordance with policies and procedures satisfactory to the Trustee;

(c) take or cause to be taken all action necessary or appropriate on its part to enable the Eligible Municipalities to perform in accordance with the provisions of their respective Subsidiary Agreements all the obligations of the Eligible Municipalities therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance;

(d) exercise its rights under the Subsidiary Agreements in such manner as to

protect the interests of the Trustee and the Borrower and to accomplish the purposes of the Credit, and, except as the Trustee shall otherwise agree, not assign, amend, abrogate or waive any such Agreement or any provision thereof; and

(e) select the municipalities in accordance with the following eligibility criteria to be applied in the order provided below:

- (i) deficiency in water quantity;
- (ii) deficiency in the water quality which constitutes a severe threat to public health;
- (iii) large number of beneficiaries;
- (iv) deficiency in water supply, sanitation or solid waste disposal which constitutes a constraint to economic development; and
- (v) proposed project to be carried out under the Sub-credit includes cost effective interconnection of systems.

2. The Federation shall, through the VBH, ensure that the following terms and conditions are incorporated in each Subsidiary Agreement:

(a) The amount of the Sub-credit shall be the value of the goods and/or works to be supplied expressed in Deutsche Marks at the exchange rate in effect on the date of the invoice for goods and at the exchange rate in effect on the date of the final payment for works;

(b) Repayment shall be in local currency equivalent to the amount due in Deutsche Marks on the date of each repayment which shall be semi-annually;

(c) The Sub-credit shall not bear any interest or other charges;

(d) The terms of the Sub-credit shall be 30 years with a grace period of 7 years; and

(e) The Subsidiary Agreement shall not become effective unless an action plan, for recovery of operating costs within two years following the date of the Subsidiary Agreement and full cost recovery (including the recovery of operating costs, depreciation plus a contribution to investment) not later than seven years following the date of the Subsidiary Agreement, has been submitted by the Eligible Municipality.

3. Requests for Sub-credits shall be submitted by the Eligible Municipalities to the Projects Development Department of the VBH. The VBH shall assist the Eligible Municipalities in the preparation of such requests including the preparation of designs and bidding documents and strengthening the management capacity to carry out the projects. Following the approval of the Sub-credit, VBH will make available the Sub-credit to the Eligible Municipality under a Subsidiary Agreement which will include the terms and conditions referred to in this Schedule to the Trust Fund Credit Agreement and assist the Eligible Municipality in carrying out the project for which the Sub-credit was provided, including, inter alia, procurement of the goods, works and services under the Sub-credits.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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, works and services required for the Project and to be financed out of the amount of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Trustee a request or requests for a deposit into the respective 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 Trustee shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the respective Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Trustee 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 Trustee shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Trustee from the Credit 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 respective Special Account, the Borrower shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Trustee shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Trustee, 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 Trustee pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Trustee 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of any outstanding special commitments entered into by the Trustee 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Trustee shall have determined at any time that any payment out of any 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 Trustee, the Borrower shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the respective Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into any 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 Trustee shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

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

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

## SCHEDULE 6

### General Conditions

#### ARTICLE I

##### Application to Trust Fund Credit Agreement

Section 1.01. Application of General Conditions. Without limitation or restriction upon the scope of any other provisions of the Trust Fund Credit Agreement, these General Conditions set forth certain basic terms and conditions applicable to the Trust Fund Credit Agreement.

#### ARTICLE II

##### Definitions; Headings

Section 2.01. Definitions. The following terms have the following meanings wherever used in these General Conditions:

(a) "Trustee" means the International Development Association acting as trustee of the Trust Fund.

(b) "Association" means the International Development Association.

(c) "Bank" means the International Bank for Reconstruction and Development.

(d) "Trust Fund Credit Agreement" means this Trust Fund Credit Agreement to which these General Conditions are made applicable.

(e) "Credit" means the Credit provided for in the Trust Fund Credit Agreement.

(f) "Borrower" means Bosnia and Herzegovina.

(g) "Currency" of a country means the coin or currency which is legal tender for the payment of public and private debts in that country.

(h) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.

(i) "Credit Account" means the account opened by the Trustee on its books in the name of the Borrower to which the amount of the Credit is credited.

(j) "Project" means the project for which the Credit is granted, as described in the Trust Fund Credit Agreement and as the description thereof may be amended from time to time by agreement between the Borrower and the Trustee.

(k) "External Debt" means any debt which is or may become payable other than in the currency of the country which is the Borrower.

(l) "Effective Date" means the date on which the Trust Fund Credit Agreement shall enter into effect as provided in Section 12.03.

(m) "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Trust Fund Credit Agreement or thereafter imposed.

(n) "Closing Date" means the date specified in the Trust Fund Credit Agreement (as it may be extended) after which the Trustee may, by notice to the Borrower, terminate the right of the Borrower to withdraw from the Credit Account.

Section 2.02. References. References in these General Conditions to Articles or Sections are to Articles or Sections of these General Conditions.

Section 2.03. Headings. The headings of the Articles and Sections are inserted for convenience of reference only and are not a part of these General Conditions.

### ARTICLE III

#### Credit Account; Service Charges; Repayment; Place of Payment

Section 3.01. Credit Account. The amount of the Credit shall be credited to the Credit Account and may be withdrawn therefrom by the Borrower as provided in the Trust Fund Credit Agreement and in these General Conditions.

Section 3.02. Service Charges. The Borrower shall pay a service charge on the amount of the Credit withdrawn and outstanding from time to time at the rate specified in the Trust Fund Credit Agreement.

Section 3.03. Computation of Service Charges. Service charges shall be computed on the basis of a 360 day year of twelve 30 day months.

Section 3.04. Repayment. (a) The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in installments as provided in the Trust Fund Credit Agreement.

(b) The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the Credit specified by the Borrower.

Section 3.05. Place of Payment. The principal of, and service charges on, the Credit shall be paid at such places as the Trustee shall reasonably request.

### ARTICLE IV

#### Currency Provisions

Section 4.01. Currencies in which Withdrawals are to be made. Except as the Borrower and the Trustee shall otherwise agree, withdrawals from the Credit Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Credit have been paid or are payable; provided, however, that withdrawals in respect of expenditures in the currency of the Borrower shall be made in such currency or currencies as the Trustee shall from time to time reasonably select.

Section 4.02. Currencies in which Principal and Service Charges are Payable. (a) The Borrower shall pay the principal amount of, and service charges on, the Credit in the currency specified in the Trust Fund Credit Agreement for the purposes of this Section or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraphs (c) or (e) of this Section.

(b) For the purposes of this Section, the term "eligible currency" means the currency of any member of the Association which the Trustee from time to time determines to be freely convertible or freely exchangeable by the Trustee for currencies of other members of the Association for the purposes of its operations.

(c) If at any time the Borrower shall desire that, commencing on a given future payment date, such principal and service charges shall be payable in an eligible currency other than that so specified or than one previously designated pursuant to this paragraph (c) or selected pursuant to paragraph (e) below, the Borrower shall deliver to the Trustee, not less than three nor more than five months

prior to such payment date, a notice in writing to that effect and designating such other eligible currency. Upon receipt of such notice and commencing on such payment date, the currency so designated shall be the currency in which such principal and service charges shall be payable.

(d) If at any time the Trustee shall determine that a currency payable pursuant to the provisions of this Section is not an eligible currency, the Trustee shall so notify the Borrower in writing and furnish the Borrower with a list of eligible currencies.

(e) Within thirty days from the date of such notice from the Trustee, the Borrower shall notify the Trustee in writing of its selection from such list of a currency in which payment shall be made, failing which the Trustee shall select a currency for such purpose from such list. Upon such selection in either manner, such principal and service charges shall, commencing on the payment date next succeeding such thirty day period, be payable in the currency so selected.

Section 4.03. Amount of Repayment. The principal amount of the Credit repayable shall be the equivalent of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of dollars as of the respective dates of withdrawal.

Section 4.04. Purchase of Currency of Withdrawal with Other Currency. If withdrawal shall be made in any currency which the Trustee shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 4.03.

Section 4.05. Valuation of Currencies. Whenever it shall be necessary for the purposes of the Trust Fund Credit Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Trustee.

Section 4.06. Manner of Payment. (a) Any payment required under the Trust Fund Credit Agreement to be made to the Trustee in the currency of a country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Trustee with a depository of the Trustee in such country.

(b) The principal of, and service charges on, the Credit shall be paid without restrictions of any kind imposed by, or in the territory of, the Borrower.

## ARTICLE V

### Withdrawal of Proceeds of Credit

Section 5.01. Withdrawal from the Credit Account. The Borrower shall be entitled to withdraw from the Credit Account amounts expended or, if the Trustee shall so agree, amounts to be expended for the Project in accordance with the provisions of the Trust Fund Credit Agreement and of these General Conditions. Except as the Borrower and the Trustee shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Trustee, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Section 5.02. Special Commitments by the Trustee. Upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Borrower and the Trustee, the Trustee may enter into special commitments in writing to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Credit notwithstanding any subsequent suspension or cancellation by the Trustee or the Borrower.

Section 5.03. Applications for Withdrawal or for Special Commitment. When the Borrower shall desire to withdraw any amount from the Credit Account or to request the Trustee to enter into a special commitment pursuant to Section 5.02, the Borrower shall deliver to the Trustee a written application in such form, and containing such statements and agreements, as the Trustee shall reasonably request. Applications for withdrawal, including the documentation required pursuant to this Article, shall be made promptly in relation to expenditures for the Project.

Section 5.04. Reallocation. Notwithstanding the allocation of an amount of the Credit or the percentages for withdrawal set forth or referred to in the Trust Fund Credit Agreement, if the Trustee has reasonably estimated that the amount of the Credit then allocated to any withdrawal category set forth in the Trust Fund Credit Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Trustee may, by notice to the Borrower:

(a) reallocate to such category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another category and which in the opinion of the Trustee are not needed to meet other expenditures; and

(b) if such reallocation cannot fully meet the estimated shortfall, reduce the percentage for withdrawal then applicable to such expenditures in order that further withdrawals under such category may continue until all expenditures thereunder shall have been made.

Section 5.05. Evidence of Authority to Sign Applications for Withdrawal. The Borrower shall furnish to the Trustee evidence of the authority of the person or persons authorized to sign applications for withdrawal and the authenticated specimen signature of any such person.

Section 5.06. Supporting Evidence. The Borrower shall furnish to the Trustee such documents and other evidence in support of the application as the Trustee shall reasonably request, whether before or after the Trustee shall have permitted any withdrawal requested in the application.

Section 5.07. Sufficiency of Applications and Documents. Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Trustee that the Borrower is entitled to withdraw from the Credit Account the amount applied for and that the amount to be withdrawn from the Credit Account is to be used only for the purposes specified in the Trust Fund Credit Agreement.

Section 5.08. Treatment of Taxes. It is the policy of the Trustee that no proceeds of the Credit shall be withdrawn on account of payments for any taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof. To that end, if the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Trustee may, by notice to the Borrower, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in the Trust Fund Credit Agreement as required to be consistent with such policy of the Trustee.

Section 5.09. Payment by the Trustee. The Trustee shall pay the amounts withdrawn by the Borrower from the Credit Account only to or on the order of the Borrower.

## ARTICLE VI

### Cancellation and Suspension

Section 6.01. Cancellation by the Borrower. The Borrower may, by notice to the Trustee, cancel any amount of the Credit which the Borrower shall not have withdrawn, except that the Borrower may not so cancel any amount of the Credit in respect of which the Trustee shall have entered into a special commitment pursuant to Section 5.02.

Section 6.02. Suspension by the Trustee. If any of the following events of suspension shall have occurred and be continuing, the Trustee may, by notice to the Borrower, suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account:

(a) The Borrower shall have failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Trustee, the Association or the Bank: (i) under the Trust Fund Credit Agreement, (ii) under any other trust fund credit agreement between the Borrower and the Trustee, (iii) under any development credit agreement between the Borrower and the Association, or (iv) under any loan or guarantee agreement between the Borrower and the Bank.

(b) The Borrower shall have failed to perform any other obligation under the



Trust Fund Credit Agreement.

(c) The Trustee, the Association or the Bank shall have suspended in whole or in part the right of the Borrower to make withdrawals under any trust fund credit agreement with the Trustee, any development credit agreement with the Association or any loan agreement with the Bank, because of a failure by the Borrower to perform any of its obligations under such agreement.

(d) As a result of events which have occurred after the date of the Trust Fund Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Borrower will be able to perform its obligations under the Trust Fund Credit Agreement.

(e) The Borrower shall: (i) have ceased to be a member of the International Monetary Fund, (ii) have failed to become a member of the Bank and the Association by December 31, 1996 or such later date as may be agreed by the Trustee, or (iii) having become a member of the Bank and the Association, have ceased to be a member thereof;

(f) After the date of the Trust Fund Credit Agreement and prior to the Effective Date, any event shall have occurred which would have entitled the Trustee to suspend the Borrower's right to make withdrawals from the Credit Account if the Trust Fund Credit Agreement had been effective on the date such event occurred.

(g) A representation made by the Borrower, in or pursuant to the Trust Fund Credit Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Trustee in making the Credit, shall have been incorrect in any material respect.

(h) Any other event specified in the Trust Fund Credit Agreement for the purposes of this Section shall have occurred.

Section 6.03. Cancellation by the Trustee. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Trustee determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Trustee determines that the procurement of any item is inconsistent with the procedures set forth or referred to in the Trust Fund Credit Agreement and establishes the amount of the expenditures in respect of such item which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Trustee may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled.

Section 6.04. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Trustee. No cancellation or suspension by the Trustee shall apply to amounts subject to any special commitment entered into by the Trustee pursuant to Section 5.02 except as expressly provided in such commitment.

Section 6.05. Application of Cancellation to Maturities of the Credit. Except as the Borrower and the Trustee shall otherwise agree, any cancellation shall be applied pro rata to the several installments of the principal amount of the Credit maturing after the date of such cancellation.

Section 6.06. Effectiveness of Provisions after Suspension or Cancellation. Notwithstanding any cancellation or suspension, all the provisions of the Trust Fund Credit Agreement shall continue in full force and effect except as specifically provided in this Article.

## ARTICLE VII

### Acceleration of Maturity

Section 7.01. Events of Acceleration. If any of the following events shall occur and shall continue for the period specified below, then at any subsequent time during the continuance thereof, the Trustee, at its option, may, by notice to the Borrower, declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately:

(a) A default shall occur in the payment of principal or any other payment required under the Trust Fund Credit Agreement and such default shall continue for a period of thirty days.

(b) A default shall occur in the payment by the Borrower of principal or interest or any other amount due to the Trustee, the Association or the Bank.

(c) A default shall occur in the performance of any other substantial obligation on the part of the Borrower under the Trust Fund Credit Agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Trustee to the Borrower.

(d) Any other event specified in the Trust Fund Credit Agreement for the purposes of this Section shall have occurred and shall continue for the period, if any, specified in the Trust Fund Credit Agreement.

#### ARTICLE VIII

##### Taxes

Section 8.01. Taxes. (a) The principal of, and other charges on, the Credit shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Borrower.

(b) The Trust Fund Credit Agreement, and any other agreement to which these General Conditions apply, shall be free from any taxes levied by, or in the territory of, the Borrower on or in connection with the execution, delivery or registration thereof.

#### ARTICLE IX

##### Cooperation and Information; Financial and Economic Data; Project Implementation

Section 9.01. Cooperation and Information. (a) The Borrower and the Trustee shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Trustee shall:

(i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Project, the purposes of the Credit, and the performance of their respective obligations under the Trust Fund Credit Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

(b) The Borrower shall afford all reasonable opportunity for representatives of the Trustee to visit any site for purposes related to the Credit.

Section 9.02. Financial and Economic Data. The Borrower shall furnish to the Trustee all such information as the Trustee shall reasonably request with respect to its financial and economic conditions in its territory including its balance of payments and its external debt as well as that of its political or administrative subdivisions and any entity owned or controlled by, or operating for the account or benefit of the Borrower or any such subdivision, and any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 9.03. Insurance. The Borrower shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

Section 9.04. Use of Goods and Services. Except as the Trustee shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the purposes of the Project.

Section 9.05. Plans and Schedules. The Borrower shall furnish, or cause to be furnished, to the Trustee promptly upon their preparation, the plans, specifications,

reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Trustee shall reasonably request.

Section 9.06. Records and Reports. (a) The Borrower shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) within its capacity, enable the Trustee's representatives to visit any facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Borrower under the Trust Fund Credit Agreement; and (iii) furnish to the Trustee at regular intervals all such information as the Trustee shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(b) Upon the award of any contract for goods or services to be financed out of the proceeds of the Credit, the Trustee may publish a description thereof, the name and nationality of the party to which the contract was awarded and the contract price.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Trustee, the Borrower shall prepare and furnish to the Trustee a report, of such scope and in such detail as the Trustee shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Trustee of their respective obligations under the Trust Fund Credit Agreement and the accomplishment of the purposes of the Credit.

Section 9.07. Maintenance. The Borrower shall at all times operate and maintain, or cause to be operated and maintained, any facilities relevant to the Project, and promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

## ARTICLE X

### Failure to Exercise Rights; Arbitration

Section 10.01. Enforceability. The rights and obligations of the Borrower and the Trustee under the Trust Fund Credit Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary. Neither the Borrower nor the Trustee shall be entitled in any proceeding under this Article to assert any claim that any provision of these General Conditions or the Trust Fund Credit Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Trustee or any document or instrument constituting the Trust Fund.

Section 10.02. Failure to Exercise Rights. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Trust Fund Credit Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 10.03. Arbitration. (a) Any controversy between the parties to the Trust Fund Credit Agreement and any claim by either such party against the other arising under the Trust Fund Credit Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Trustee and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Trustee; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the

Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Trust Fund Credit Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Trust Fund Credit Agreement or of any claims by either party against the other party arising thereunder.

(k) The Trustee shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Trustee, the Borrower may take any such action for the enforcement of the award against the Trustee.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 11.01. The parties to the Trust Fund Credit Agreement waive any and all other requirements for the service of any such notice or process.

## ARTICLE XI

### Miscellaneous Provisions

Section 11.01. Notices and Requests. Any notice or request required or permitted to be given or made under the Trust Fund Credit Agreement and any other agreement between the parties contemplated by the Trust Fund Credit Agreement shall be in writing. Except as otherwise provided in Section 12.03, such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or telex to the party to which it is required or permitted to be given or made at such party's address specified in the Trust Fund Credit Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

Section 11.02. Evidence of Authority. The Borrower shall furnish to the Trustee sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents required or permitted

to be taken or executed by the Borrower under the Trust Fund Credit Agreement, and the authenticated specimen signature of each such person.

Section 11.03. Action on Behalf of the Borrower. Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Trust Fund Credit Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Trust Fund Credit Agreement for the purposes of this Section or any person thereunto authorized in writing by such representative. Any modification or amplification of the provisions of the Trust Fund Credit Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by such representative, provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Trust Fund Credit Agreement. The Trustee may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Trust Fund Credit Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

Section 11.04. Execution in Counterparts. The Trust Fund Credit Agreement may be executed in several counterparts, each of which shall be an original.

## ARTICLE XII

### Effective Date; Termination

Section 12.01. Conditions Precedent to Effectiveness of the Trust Fund Credit Agreement. The Trust Fund Credit Agreement shall not become effective until evidence satisfactory to the Trustee shall have been furnished to the Trustee that:

(a) the execution and delivery of the Trust Fund Credit Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action; and

(b) the events specified in the Trust Fund Credit Agreement as a condition to its effectiveness has occurred.

Section 12.02. Legal Opinions or Certificates. As part of the evidence to be furnished pursuant to Section 12.01, the Borrower shall furnish to the Trustee an opinion or opinions satisfactory to the Trustee of counsel acceptable to the Trustee or, if the Trustee so requests, a certificate satisfactory to the Trustee of a competent official of the Borrower, showing:

(a) that the Trust Fund Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms; and

(b) such other matters as shall be specified in the Trust Fund Credit Agreement or as shall be reasonably requested by the Trustee in connection therewith.

Section 12.03. Effective Date. (a) Except as the Borrower and the Trustee shall otherwise agree, the Trust Fund Credit Agreement shall enter into effect on the date on which the Trustee dispatches to the Borrower notice of its acceptance of the evidence required by Section 12.01.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Trustee to suspend the right of the Borrower to make withdrawals from the Credit Account if the Trust Fund Credit Agreement had been effective, the Trustee may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event or events shall have ceased to exist.

Section 12.04. Termination of the Trust Fund Credit Agreement for Failure to Become Effective. If the Trust Fund Credit Agreement shall not have entered into effect by the date specified therein for the purposes of this Section, the Trust Fund Credit Agreement and all obligations of the parties thereunder shall terminate, unless the Trustee, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Trustee shall promptly notify the Borrower of such later date.

Section 12.05. Termination of the Trust Fund Credit Agreement on Full Payment.

If and when the entire principal amount of the Credit withdrawn from the Credit Account and all charges which shall have accrued on the Credit shall have been paid, the Trust Fund Credit Agreement and all obligations of the parties thereunder shall forthwith terminate.

