

CONFORMED COPY

TF024030 BH

Trust Fund Credit and Grant Agreement

(Emergency Recovery Project)

between

BOSNIA AND HERZEGOVINA

and

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

Dated March 1, 1996

TF024030 BH

TRUST FUND CREDIT AND GRANT AGREEMENT

AGREEMENT, dated March 1, 1996 between BOSNIA and HERZEGOVINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as trustee (the Trustee) of a trust fund established by Resolution of its Board of Executive Directors.

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 surplus, by way of grant, \$150,000,000 to a trust fund (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 Borrower;

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

(C) the Credit and the Grant provided under this Trust Fund Credit and Grant Agreement (Trust Fund Agreement) from the proceeds of the Trust Fund shall be allocated exclusively for financing activities to be carried out under the Project, and the Borrower intends, with the assistance of the Trustee, to secure the funds required for the carrying out of other activities under the Project through contributions from other donors; and

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing to extend the Credit and the Grant to the Borrower upon the terms and conditions set

forth in this Trust Fund Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Preamble to this Trust Fund Agreement and the General Conditions set forth in Schedule 6 to this Trust Fund 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) "Central Bank" means the Central Bank of the Borrower which is to be established as the successor to the National Bank of Bosnia and Herzegovina;
- (c) "FBSA" means the banking supervisory authority of the Federation;
- (d) "PCU" means the Project Coordination Unit established pursuant to Section 6.01(a) of this Trust Fund Agreement;
- (e) "Subsidiary Finance Agreement" means the agreement entered into between the Borrower and the Federation pursuant to Section 3.02 (a) of this Trust Fund Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Finance Agreement;
- (f) "Subsidiary Finance" means the loan and grant made pursuant to the Subsidiary Finance Agreement;
- (g) "Participating Financial Institution" or "PFI" means any bank or other credit institutions established and operating in accordance with the laws and regulations of the Borrower and approved by the FBSA for participation in the Project selected by the Borrower on the basis of criteria acceptable to the Trustee for purposes of administering Sub-loans out of the proceeds of the Credit;
- (h) "Subsidiary Loan Agreement" means any agreement entered into between the Federation, through the PCU, and a PFI pursuant to this Trust Fund Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement;
- (i) "Subsidiary Loan" means any loan made pursuant to a Subsidiary Loan Agreement;
- (j) "Sub-loan" means a loan made or proposed to be made by a PFI out of the proceeds of the Credit to a Beneficiary for a Sub-project;
- (k) "Sub-project" means a specific development project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;
- (l) "Beneficiary" means any eligible small- and medium-sized enterprise or microenterprise duly established and operating under the laws of the Borrower to which a PFI proposes to make or has made a Sub-loan;
- (m) "private enterprise" means any commercial entity registered according to the applicable laws and regulations of the Borrower, in which the management is not directly or indirectly controlled by the Borrower, and more than 50% of the proprietary interest is held by persons or entities other than the Borrower, the local authorities or any subdivision thereof, or entities controlled by the Borrower;
- (n) "Co-financier" means any donor providing the Borrower with a loan or grant to assist in financing the Project;
- (o) "Co-financing Agreements" means the agreements to be concluded between the Borrower and the Co-financiers;
- (p) "DEM" means Deutsche Marks; and
- (q) "Special Account" means the account or accounts referred to in Section 2.02(b) of this Trust Fund Agreement.

## ARTICLE II

### The Credit and the Grant

Section 2.01. The Trustee agrees: (a) to lend to the Borrower, on the terms and conditions set forth or referred to in this Trust Fund Agreement, an amount in various currencies equivalent to thirty million dollars (\$30,000,000), and (b) to make available to the Borrower, on a grant basis, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. (a) The amount of the Credit and the Grant may be withdrawn from the Credit Account and the Grant Account, respectively, in accordance with the provisions of Schedule 1 to this Trust Fund Agreement for: (i) amounts paid (or, if the Trustee shall so agree, amounts to be paid) by a PFI on account of withdrawals made by a Beneficiary under a Sub-loan to meet the reasonable cost of goods and services required for the Sub-project under Part B of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part C of the Project and to be financed out of the proceeds of the Credit and in respect of the reasonable cost of goods and services required for Parts A and D of the Project and to be financed out of the proceeds of the Grant.

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

Section 2.03. The Closing Date shall be December 31, 1997 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 Trust Fund 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 Trust Fund 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 Trust Fund 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 April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing April 15, 2006 and ending October 15, 2035. Each installment to and including the installment payable on October 15, 2015 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Trust Fund Agreement, and, to this end, shall carry out Part A(1) of the Project through its Ministry of Finance, and such other ministries and agencies as agreed with the Trustee, with due diligence and efficiency and in accordance with the Implementation Program set forth in Schedule 4 to this Trust Fund Agreement, as such Implementation Program shall be modified from time to time by the agreement of the Borrower and the Trustee.

Section 3.02. (a) For purposes of the carrying out by the Federation of Parts A(2), B, C and D of the Project, the Borrower shall relend part of the proceeds of the Credit and make available part of the proceeds of the Grant 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 Agreement, as such Implementation Program shall be modified from time to time by the agreement of the Borrower and the Trustee.

(b) The Borrower shall lend the portion of the Subsidiary Finance which is from the proceeds of the Credit to the Federation on the same terms and conditions as the Credit as set forth in Sections 2.04, 2.05, 2.06 and 2.07 of this Trust Fund Agreement.

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

Section 3.03. Except as the Trustee shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit and the Grant shall be governed by the provisions of Schedule 3 to this Trust Fund Agreement.

Section 3.04. For the purpose of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

(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 for the future operation of Part A(1) of the Project; 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 and 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 each 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 and the Grant 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 and the Grant 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

##### Remedies of the Trustee

Section 5.01. (a) Pursuant to Section 6.02 (g) of the General Conditions, the following additional event is specified, namely, that subject to paragraph (b) of this paragraph: (i) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Trustee that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Trust Fund Agreement.

#### ARTICLE VI

##### Effectiveness; Termination

Section 6.01. For purposes of Section 12.03 of the General Conditions, the following events are specified as conditions to the effectiveness of this Trust Fund Agreement:

(a) the PCU shall have been established under terms of reference and with staffing and other resources satisfactory to the Trustee; and

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

Section 6.02. 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 has been duly authorized or ratified by, and is legally binding upon the Borrower and the Federation in accordance with its terms.

Section 6.03. 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 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  
71000 Sarajevo  
Bosnia and Herzegovina

For the Trustee:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

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

BOSNIA AND HERZEGOVINA

By /s/ Mirsad Kikanovic

Authorized Representative

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

By /s/ Johannes Linn

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Grant

1. The table below sets forth the Categories of items to be financed out of the Credit and the Grant, the allocations of the amount of the Credit and the Grant 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)	Amount of the Grant Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods foreign			100% of
(a) under Part A(1) of the Project	0	160,000	expenditures, 100% of local expenditures

	(b) under Part A(2) of the Project	0	1,840,000 (ex-factory	cost) and 85%
items	(c) under Part C of the Project	15,000,000	0	of local expenditures for other
locally				procured
	(d) under Part D of the Project	0	2,300,000	
(2)	Sub-loans under Part B of the Project	15,000,000	0	100% of amounts disbursed
(3)	Consultants' services, training and studies			100%
	(a) under Part A(1) of the Project	0	80,000	
	(b) under Part A(2) of the Project	0	920,000	
	(c) under Part D(2) of the Project	0	700,000	
(4)	Incremental operating costs			100%
	(a) under Part A(1) of the Project	0	650,000	
	(b) under Part A(2) of the Project	0	1,350,000	
(5)	Social benefits under Part D(1) of the Project	0	7,000,000	100%
	TOTAL	30,000,000	15,000,000	

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; and

(c) the term "incremental operating costs" means the costs of incremental staff, facilities, services and other resources required to implement Parts A and D of the Project as may be agreed with the Trustee.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on terms and conditions set forth or referred to in the Attachment to the Annex to Schedule 4 to this Trust Fund Agreement; and

(b) in respect of payments made for expenditures prior to the date of this Trust Fund Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000, may be made in respect of Category (1) (c) on account of payments made for expenditures for critical inputs for the agricultural sector before that date but after November 1, 1995.

4. The Trustee may require withdrawals from the Credit Account and the Grant Account to be made on the basis of statements of expenditure for (a) expenditures for goods and for payments made by a PFI under Sub-loans under contracts not exceeding \$5,000,000 equivalent; and (b) contracts not exceeding \$250,000 equivalent each for employment of consultants, 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 to help rehabilitate and restore the Borrower's and the Federation's severely damaged productive capacity and infrastructure facility, to initiate production and economic activities in a war-devastated economy and to assist in the establishment of a minimum level of institutional framework for country governance and policy formulation necessary for an effective implementation of the Borrower's and the Federation's emergency reconstruction program.

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: Institutional Support

(1) Support for the establishment and functioning of key ministries and governmental institutions of the Borrower, including, inter alia, the Central Bank, through the provision of salaries, office equipment, including telecommunications facilities and computers; the repair and refurbishing of administrative buildings; and the provision of technical assistance to the personnel of said ministries and governmental institutions to strengthen their capacity for effective governance and project implementation.

(2) Support for the establishment and functioning of key ministries and governmental institutions of the Federation through the provision of salaries, office equipment, including telecommunications facilities and computers; the repair and refurbishing of administrative buildings; and the provision of technical assistance to the personnel of said ministries and governmental institutions to strengthen their capacity for effective governance.

#### Part B: Credit Facilities

(1) The establishment and operation by the Federation of a credit facility for the financing, through the provision of Sub-loans by PFIs to Beneficiaries, of specific development projects and associated working capital in the production and processing sectors.

(2) Provision of technical assistance and training to the personnel of PFIs to strengthen their credit evaluation capacity.

#### Part C: Critical Inputs

(1) Provision of critical inputs to the agricultural sector, the power sector, and the transport sector of the Federation.

(2) Provision of technical assistance and training to the personnel of the governmental ministries and institutions of the Federation responsible for food management and the monitoring of domestic farm and food production to strengthen their capabilities in said activities, and the carrying out of studies on the management of food aid.

#### Part D: Emergency Social Benefits Program

(1) Carrying out by the Federation of an emergency social benefits action plan for orphans, through the provision of equipment and materials to improve institutional care in orphanages, and for persons with war-related disabilities, through the provision of rehabilitation equipment and retraining.

(2) Support for the establishment and implementation of an emergency social benefits program in the Federation through the provision of salaries and computer, communications and transport equipment for and technical assistance to the personnel of the Ministry of Refugees and Social Affairs of the Federation and other entities of the Federation responsible for the delivery of benefits under said emergency social benefits program.



The Project is expected to be completed by March 31, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods 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 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 shall be modified to provide that: (i) a 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 submissions of bids shall be four (4) weeks; and (iv) bid and payment currency shall be limited to one currency widely used in international trade.

3. The following provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraphs 1 and 2 of this Part B, namely, that 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 Recipient.

###### 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 will not be required. Furthermore, the entity responsible for procurement will be required to put in place mechanisms to ensure confidentiality of bids received by fax.

###### 2. International Shopping

Goods estimated to cost 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.

###### 3. 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.

###### 4. Direct Contracting

Goods which should be procured as an extension of an existing contract, or must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature or which must be urgently procured, may, with the Trustee's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

###### 5. 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.

6. Under Part B of the Project

Goods shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts thereof and the quality and the competence of the parties providing them.

Part D: Review by the Trustee of Procurement Decisions

1. Prior Review

With respect to each contract to be awarded in accordance with the provisions of: (i) Section I, Part B of this Schedule; (ii) Part C. 1(ii) of this Schedule; and (iii) Part C. 4 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Recipients 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 contracts for the employment of consultants estimated to cost less than \$500,000 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 consultants raising the contract value to \$500,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Project Management

The Borrower shall maintain, for purposes of Part A(1) of the Project, and shall cause the Federation to maintain, for purposes of Parts A(2), B, C and D of the Project, the PCU under terms of reference and with staffing and other resources acceptable to the Trustee. The PCU shall be headed by a director and shall have overall responsibility for Project management and coordination, including coordination of the carrying out of the Project by the Ministry of Finance of the Borrower and by Ministry of Finance of the Federation and such other ministries, agencies and institutions of the Borrower and the Federation as agreed with the Trustee.

B. Credit Facilities (Part B of the Project)

1. Except as the Borrower and the Trustee shall agree, the Subsidiary Finance Agreement shall contain the following Project implementation arrangements for purposes of Part B of the Project. The Federation shall maintain or cause to be maintained: (a) a separate credit line section within the PCU, with staff and other resources and terms of reference satisfactory to the Trustee, to be responsible for the carrying out of said Part B of the Project; and (b) arrangements, satisfactory to the Trustee, with the FBSA pursuant to which the FBSA shall assist the Federation in determining the compliance by the PFIs with the conditions set forth in Part B of the Annex to this Schedule.

2. The Federation shall through the PCU:

- (a) relend to the PFIs the equivalent of the proceeds of the Credit allocated

from time to time to Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Trust Fund Agreement under Subsidiary Loan Agreements to be entered into between the Federation and each such PFI, under terms and conditions which shall have been approved by the Trustee, and which shall include, without limitation, those set forth in the Annex to this Schedule;

(b) monitor the overall execution of Part B of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Loan 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 PFIs to perform in accordance with the provisions of their respective Subsidiary Loan Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and

(d) exercise its rights under the Subsidiary Loan 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.

3. Except as the Trustee shall otherwise agree, the Federation shall in respect of repayments of principal of each Subsidiary Loan utilized in the making of Sub-loans under the Project:

(a) open and maintain, in a bank, acceptable to the Trustee, an account on terms and conditions satisfactory to the Trustee; and

(b) upon receipt of each such repayment, credit the same to said account. All amounts to be so credited shall be utilized, to the extent they are not required to meet the Federation's repayment obligations under the Subsidiary Finance Agreement, exclusively to finance, through the PFIs, specific projects on similar terms and conditions as those applicable to the Sub-loans made out of the Subsidiary Loan so repaid and credited to said account. The Federation shall maintain said account and credit and utilize said repayments of the Subsidiary Loan utilized in the making of Sub-loans under the Project until December 31, 2000.

#### C. Critical Inputs (Part C of the Project)

Except as the Borrower and the Trustee shall agree, the Subsidiary Finance Agreement shall contain, for purposes of Part C of the Project:

1. the implementation responsibilities of the responsible ministries and institutions with respect to each of the sectors to which inputs to be financed out of the proceeds of the Credit under said Part C of the Project are to be provided; and

2. the cost recovery mechanisms in respect of the inputs to be financed out of the proceeds of the Credit under said Part C of the Project.

#### D. Reporting

Except as the Borrower and the Trustee shall agree, the Subsidiary Finance Agreement shall provide, for the purpose of Section 9.07 of the General Conditions, and without limitation thereto, that the Federation shall:

1. 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 Federation and the Trustee, a plan for the future operation of Part A(2) and D of the Project; and

2. afford the Trustee a reasonable opportunity to exchange views with the Federation on said plan.

### ANNEX TO SCHEDULE 4

#### Principal Terms and Conditions of the Subsidiary Loan Agreements

The principal terms and conditions set forth in this Schedule shall apply for the purposes of paragraph 2(a) of Part B of this Schedule 4.

#### A. Terms

1. The principal amount to be relented out of the proceeds of the Credit to a PFI under its respective Subsidiary Loan Agreement shall be denominated in DEM and be the equivalent of the aggregate amount of the principal of all Sub-loans made out of the proceeds thereof.

2. The Subsidiary Loan shall be: (a) charged monthly, quarterly or semiannually, on the principal amount thereof withdrawn and outstanding from time to time, interest at the Base Rate, as shall be adjusted from time to time in agreement with the Trustee; and (b) repaid in accordance with an amortization schedule pursuant to which each portion thereof utilized in the making of a Sub-loan shall have a maturity calculated to conform to the amortization schedule applicable to such Sub-loan. For purposes of this Annex, Base Rate means LIBOR minus three percent (3%).

3. The right of a PFI to the use of the proceeds of its respective Subsidiary Loan shall be: (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Loan Agreement or to continue to be in compliance with all legal and regulatory requirements applicable to its operations; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of 60 days.

#### B. Conditions

1. A Subsidiary Loan Agreement may be entered into with a PFI, which the Federation, with the assistance of the FBSA, pursuant to the arrangements referred to in paragraph 1(b) of Part B of this Schedule 4, shall have determined, and the Trustee shall have agreed, that such PFI:

- (a) is duly established and licensed by FBSA to operate in the Federation;
- (b) except as otherwise agreed with the Trustee, has been in existence for at least two years;
- (c) is operating pursuant to investment and lending policies and procedures which the Trustee and the FBSA shall have judged acceptable, and has undertaken to maintain said policies and procedures;
- (d) except as otherwise agreed with the Trustee, has capital of at least DEM 2,500,000 or has a plan acceptable to the Trustee and the FBSA to achieve minimum capital in accordance with applicable prudential regulations; and
- (e) is in compliance with applicable prudential regulations as determined by the FBSA.

2. Each respective Subsidiary Loan Agreement shall contain provisions pursuant to which each respective PFI shall undertake to:

- (a) carry out activities under Part B of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in paragraph 1 (c) hereof, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;
- (b) (i) make Sub-loans to Beneficiaries on the terms and conditions set forth in the Attachment to this Annex; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Borrower, the Federation and the Trustee, comply with its obligations under its respective Subsidiary Loan Agreement and achieve the purposes of Part B of the Project; (iii) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of the Federation; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures satisfactory to the Trustee and the Federation;
- (c) maintain, with staff and other resources and terms of reference, satisfactory to the Trustee and the Federation: (i) a credit committee to be responsible for the evaluation and approval of Sub-loan applications; and (ii) a technical unit to be responsible for the appraisal and supervision of the carrying out of Sub-projects;
- (d) (i) exchange views with, and furnish all such information to the Trustee

or the PCU, as may be reasonably requested by the Trustee, the Federation or the PCU, with regard to the progress of its activities under Part B of the Project, the performance of its obligations under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of Part B of the Project; and (ii) promptly inform the Trustee and the PCU of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Loan Agreement;

(e) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee; (iii) furnish to the Trustee, as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Trustee shall have reasonably requested; and (iv) furnish to the Trustee such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Trustee shall from time to time reasonably request; and

(f) assume a portion of the credit risk of each Sub-loan, as determined pursuant to guidelines acceptable to the Trustee, in the event the Beneficiary of the respective Sub-loan fails to repay all amounts due on the Sub-loan.

#### ATTACHMENT TO THE ANNEX TO SCHEDULE 4

##### Terms and Conditions of the Sub-loans

The provisions of this Attachment shall be for the purposes of paragraph 2 (b) (i) of Part B of the Annex to this Schedule 4.

1. The principal amount of each Sub-loan made out of the proceeds of the Credit allocated from time to time to Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Trust Fund Agreement shall: (a) be denominated in DEM, and be the equivalent in DEM (determined as of the date or respective dates of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods and works financed out of such proceeds for Sub-loans under Part B of the Project; and (b) not exceed the equivalent of DEM 300,000.

2. Each Sub-loan shall be: (a) charged monthly, quarterly or semiannually, on the principal amount thereof withdrawn and outstanding from time to time, interest at the Base Rate (as defined in paragraph A.2 of the Annex to this Schedule 4), plus a margin not to exceed 7%; (b) made for a period of not more than two years, but not less than two months; (c) repaid, in respect of interest on the outstanding principal balance of the Sub-loan, monthly, quarterly or semi-annually as determined by the PFI in accordance with its investment and lending policies; and (d) repaid, in respect of the principal balance of the Sub-loan disbursed and outstanding, in a single maturity.

3. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of a Sub-loan unless:

(a) the Sub-loan for such Sub-project shall have been approved by the Trustee and such expenditures shall have been made not earlier than 180 days prior to the date on which the Trustee shall have received the application and information required under paragraph 4 (a) of this Attachment in respect of such Sub-loan; or

(b) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan (as hereinafter defined) for which the Trustee shall have authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than 180 days prior to the date on which the Trustee shall have received the request and information required under paragraph 4 (b) of this Attachment in respect of such free-limit Sub-loan. For the purposes hereof, a free-limit Sub-loan shall be a Sub-loan for a Sub-project to be made by each respective PFI in an amount to be financed out of the proceeds of the Credit which shall not exceed the sum determined from time to time by the Trustee and notified to the Federation and each such respective PFI.

4. (a) When presenting a Sub-loan, other than a free-limit Sub-loan, to the Trustee for approval, the PFI shall furnish to the Trustee, through the PCU, an application, in a form satisfactory to the Trustee, together with: (i) a description

of the Beneficiary; (ii) the appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (iii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization therefor; and (iv) any such other information as the Trustee shall reasonably request.

(b) Each request for authorization to make withdrawals from the Credit Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Beneficiary and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Trustee not later than June 30, 1997.

5. Sub-loans shall be made to Beneficiaries who each shall have established to the satisfaction of the PFI making the Sub-loan, on the basis of guidelines acceptable to the Trustee that:

(a) except as otherwise agreed with the Trustee, it has been in existence for at least two years;

(b) it is engaged in agro-processing, manufacturing or other economic activity that supports the restoration of food-processing and industrial production;

(c) it is a private enterprise or has a plan to become a private enterprise; and

(d) it is creditworthy, and has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project.

6. Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Trustee, to be:

(a) technically feasible and economically, financially and commercially viable, with an expected financial rate of return of not less than 15%;

(b) capable of being implemented and made operational within a period of not more than six (6) months; and

(c) in compliance with environmental standards satisfactory to the Trustee and in compliance with all applicable laws and regulations of the Federation relating to health, safety and environmental protection.

7. Sub-loans shall be made on terms whereby the PFI making the Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Federation and the Trustee, including the right to:

(a) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economic, financial and commercial practices, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) require that the goods and services to be financed out of the proceeds of the Credit be procured in accordance with the provisions of Schedule 3 to this Trust Fund Agreement, and that such goods and services be used exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Trustee or the PCU on behalf of the Federation if the Trustee, the Federation or the PCU shall so request, the goods and the sites, works, plans and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) carry out and operate the Sub-project in accordance with appropriate health, safety and environmental standards, satisfactory to the Trustee;

(f) obtain all such information as the Trustee, the Federation or the PCU shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Credit or the Grant upon failure by such Beneficiary to perform its obligations under its contract with the PFI.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (c) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Trust Fund Agreement with respect to the Credit Account, and Categories (1) (a), (b) and (d), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Trust Fund Agreement with respect to the Grant Account;

(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 amount of the Credit and the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Trust Fund Agreement, provided, however, that notwithstanding the provisions of paragraph 3 (b) of the Attachment to the Annex to Schedule 4 to this Trust Fund Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Trustee shall have authorized withdrawals from the Credit Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Trustee shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule and an amount equivalent to \$2,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of each 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 any Special Account has been duly opened, withdrawals of the respective Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of any 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 or the Grant Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of each Special Account, the Borrower shall furnish to the Trustee requests for deposits into the 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 or the Grant 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 Special

Account for eligible expenditures. All such deposits shall be withdrawn by the Trustee from the Credit Account and the Grant Account under the respective eligible Category, 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 each 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 or the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Trust Fund Agreement;

(b) if the Borrower shall have failed to furnish to the Trustee, within the period of time specified in Section 3.03 (b) (ii) of this Trust Fund 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 said Special Account;

(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 or the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit or the Grant allocated to the eligible Categories, 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 respective Authorized Allocation.

Thereafter, withdrawal from the Credit Account or the Grant Account of the remaining unwithdrawn amount of the Credit or the Grant 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 said 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 a 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 said 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 said 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 said 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 said Special Account.

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

#### SCHEDULE 6

#### General Conditions

#### ARTICLE I



## Application to Trust Fund Credit and Grant Agreement

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

### ARTICLE II

#### Definitions; Headings

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

1. "Trustee" means the International Development Association, acting as trustee of the Trust Fund.
2. "Association" means the International Development Association.
3. "Bank" means the International Bank for Reconstruction and Development.
4. "Trust Fund Agreement" means the Trust Fund Credit and Grant Agreement to which these General Conditions are made applicable.
5. "Credit" means the Trust Fund Credit provided for in the Trust Fund Agreement.
6. "Grant" means the Trust Fund Grant provided for in the Trust Fund Agreement.
7. "Borrower" means Bosnia and Herzegovina.
8. "Currency" of a country means the coin or currency which is legal tender for the payment of public and private debts in that country.
9. "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.
11. "Grant Account" means the account opened by the Trustee on its books in the name of the Borrower to which the amount of the Grant is credited.
12. "Project" means the project for which the Credit and Grant are granted, as described in the Trust Fund Agreement and as the description thereof may be amended from time to time by agreement between the Borrower and the Trustee.
13. "external debt" means any debt which is or may become payable other than in the currency of the country which is the Borrower.
14. "Effective Date" means the date on which the Trust Fund Agreement shall enter into effect as provided in Section 12.03.
15. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Trust Fund Agreement or thereafter imposed.
16. "Closing Date" means the date specified in the Trust Fund 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 and the Grant 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 and Grant Account; Service Charges; Repayment; Place of Payment

Section 3.01. Credit Account and Grant 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 Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom by the

Borrower as provided in the Trust Fund 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 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 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 and the Grant Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Credit and the Grant 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 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 purposes of Section 4.03.

Section 4.05. Valuation of Currencies. Whenever it shall be necessary for the purposes of the Trust Fund 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 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 and Grant

Section 5.01. Withdrawal from the Credit Account and the Grant Account. The Borrower shall be entitled to withdraw from the Credit Account and the Grant 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 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 and of the Grant 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 the Grant 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 Grant or the percentages for withdrawal set forth or referred to in the Trust Fund Agreement, if the Trustee has reasonably estimated that the amount of the Credit or the Grant then allocated to any withdrawal category set forth in the Trust Fund 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 or the Grant 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 or the Grant Account the amount applied for and that the amount to be withdrawn from the Credit Account or the Grant Account is to be used only for the purposes specified in the Trust Fund Agreement.

Section 5.08. Treatment of Taxes. It is the policy of the Trustee that no proceeds of the Credit or the Grant 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 or the Grant 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 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 or the Grant 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 or the Grant which the Borrower shall not have withdrawn, except that the Borrower may not so cancel any amount of the Credit or the Grant 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 or the Grant 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 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 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 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 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 or the Association, have ceased to be a member thereof.

(f) After the date of the Trust Fund 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 or the Grant Account if the Trust Fund Agreement had been effective on the date such event occurred.

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

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

The right of the Borrower to make withdrawals from the Credit Account or the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to suspension shall have ceased to exist, unless the Trustee shall have notified the Borrower that the right to make withdrawals has been restored in whole or in part, as the case may be.

Section 6.03. Cancellation by the Trustee. If (a) the right of the Borrower to make withdrawals from the Credit Account or the Grant Account shall have been suspended with respect to any amount of the Credit or the Grant 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 or the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Credit or the Grant, 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 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 the Grant, (d) after the Closing Date, an amount of the Credit or the Grant shall remain unwithdrawn from the Credit Account or the Grant Account, or (f) by the date specified in paragraph 4 (c) of the Attachment to the Annex to Schedule 4 to the Trust Fund Agreement, the Trustee shall, in respect of any portion of the Credit: (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Trustee may, by notice to the Borrower, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portions of the Credit. Upon the giving of such notice, such amount or portion of the Credit or the Grant shall be canceled.

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 hereof 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 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, if any, 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 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 obligation on the part of the Borrower under the Trust Fund 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 Agreement for the purposes of this Section shall have occurred and shall continue for the period, if any, specified in the Trust Fund Agreement.

#### ARTICLE VIII

##### Taxes

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

(b) The Trust Fund 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 and the Grant 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 Grant, and the performance of their respective obligations under the Trust Fund 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 and the Grant.

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 subdivision, and any institution performing the functions of a central bank or exchange stabilization fund, or similar function, 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 and the Grant 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 and the Grant 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 the Grant, 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 the Grant 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 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 Grant 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 and the Grant, 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 Agreement and the accomplishment of the purposes of the Credit and the Grant.

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 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 and Grant 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 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 Agreement and any claim by either such party against the other arising under the Trust Fund 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 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.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(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 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 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 Agreement and any other agreement between the parties contemplated by the Trust Fund 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 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 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 Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Trust Fund 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 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 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 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 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 Agreement. The Trust Fund 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 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 Agreement as conditions to its effectiveness have 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 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 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 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 or the Grant Account if the Trust Fund 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 Agreement for Failure to Become Effective. If the Trust Fund Agreement shall not have entered into effect by the date specified therein for the purposes of this Section, the Trust Fund 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 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 Agreement and all obligations of the parties thereunder shall forthwith terminate.

