

CONFORMED COPY

TRUST FUND FOR EAST TIMOR
GRANT NUMBER TF-023768

Trust Fund for East Timor
Grant Agreement

(Health Sector Rehabilitation and Development Project)

between

UNITED NATIONS TRANSITIONAL ADMINISTRATION
IN EAST TIMOR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Trustee of the Trust Fund for East Timor

Dated June 7, 2000

TRUST FUND FOR EAST TIMOR
GRANT NUMBER TF-023768

TRUST FUND FOR EAST TIMOR GRANT AGREEMENT

AGREEMENT, dated June 7, 2000, between the UNITED NATIONS TRANSITIONAL ADMINISTRATION IN EAST TIMOR (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Trustee) acting as trustee of the Trust Fund for East Timor.

WHEREAS (A) pursuant to Resolution No. 99-8 of the Executive Directors of the International Bank for Reconstruction and Development (the Bank) and Resolution No. IDA99-5 of the Executive Directors of the International Development Association, as amended by Resolutions No. 99-8/1 and No. IDA99-5/1, the Executive Directors established the Trust Fund for East Timor (TFET) to assist in the emergency reconstruction and recovery program in East Timor and appointed the International Development Association as trustee of the TFET;

(B) the United Nations Security Council, acting under Chapter VII of the Charter of the United Nations, adopted on October 25, 1999, Resolution 1272 (1999) establishing a United Nations Transitional Administration in East Timor (UNTAET) for an initial period until January 31, 2001, and whereas UNTAET has the objectives and a structure as set out in part IV of the Report of the Secretary-General dated October 4, 1999;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the TFET for funding the Project; and

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this

Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 The General Conditions set forth in Schedule 6 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Affected Person" means a person who, on account of the execution of Part A.1 and A.2 of the Project, has or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected;

(b) "Guidelines for Compensation and Resettlement" means the guidelines prepared by the Recipient, in agreement with the Trustee, for the provision of compensation to Affected Persons as set forth in paragraph 3 of Schedule 4 to this Agreement, and as such Guidelines may be amended from time to time in agreement with the Trustee;

(c) "Health Program Management Unit" and "HPMU" mean the unit responsible for the implementation of the Project, including the implementation of the financial management and procurement action plans, and mean the Project implementation entity for purposes of sub-sections (g), (h), (i) and (j) of Section 6.02 of Schedule 6 to the Grant Agreement;

(d) "Project Performance Indicators" means those indicators designed to measure the Recipient's performance in achieving Project objectives as set forth in Schedule 5 to this Agreement; and

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

ARTICLE II

The Grant

Section 2.01. (a) The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount equal to twelve million seven hundred thousand Dollars (\$12,700,000).

(b) The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purpose pursuant to the Resolution referred to in Whereas (A) of this Agreement.

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

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

Section 2.03. The Closing Date shall be February 28, 2002, or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project, as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Trustee shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 8.06 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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, 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 and 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 Grant Account were made on the basis of statements of expenditure, the Recipient shall:

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

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

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

ARTICLE V

Effectiveness, Termination

Section 5.01. The following events are specified as conditions to the effectiveness of this Agreement:

- (a) that the Health Program Management Unit has been established within the Recipient's Governance and Public Administration Pillar, with qualified personnel in adequate numbers, including a financial manager and a procurement specialist acceptable to the Trustee;
- (b) that an action plan for the financial management of the Project, acceptable to the Trustee, has been adopted;
- (c) that an action plan for procurement under the Project, acceptable to the Trustee, has been adopted;
- (d) that the Guidelines for Compensation and Resettlement, acceptable to the Trustee, have been issued by the Recipient; and
- (e) that the Guidelines for the preparation of district health plans, acceptable to the Trustee, have been adopted.

Section 5.02. (a) Except as the Recipient and the Trustee shall otherwise agree, the Trust Fund Grant Agreement shall enter into effect on the date on which the Trustee dispatches to the Recipient notice of its acceptance of the evidence required by Section 5.01 of this Agreement.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Trustee to suspend the right of the Recipient to make withdrawals from the Grant Account if the Trust Fund Grant 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 5.03. If the Trust Fund Grant Agreement shall not have entered into effect ninety (90) days after the date of this Agreement, the Trust Fund Grant 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 Recipient of such later date.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Special Representative of the Secretary General, United Nations Transitional Administration in East Timor, is designated as representative of the Recipient for the purposes of Section 10.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Recipient:

United Nations Transitional Administration in East Timor
Dili, East Timor
c/o GPA - Office of the DSRSG
P.O. Box 2436
Darwin, NT 0801, Australia

Facsimile:

61-889422198
61-889815157
1212-9632180

For the Trustee:

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

Cable address: Telex: Facsimile:

 INDEVAS 248423 (MCI) or (202) 477-6391
 Washington, D.C. 64145 (MCI)

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

UNITED NATIONS TRANSITIONAL
ADMINISTRATION IN EAST TIMOR

By /s/ Sergio Vieira de Mello
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Trustee for the Trust Fund in East Timor

By /s/ Klaus Rohland
Authorized Representative

IN THE PRESENCE OF

By /s/ João Carrascalão
Member, National Consultative Council of East Timor

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works	4,200,000	100%
(2) Goods (including transportation)	2,300,000	100%
(3) Training, fellowships and workshops	1,000,000	100%
(4) Operating costs	400,000	100%

(5) Consultants' services and studies	4,200,000	100%
(6) Unallocated	600,000	
TOTAL	12,700,000	

2. For purposes of this Schedule, "operating costs" means (i) the operating costs of the HPMU, including per diem for HPMU staff and office consumables (but excluding salaries), and (ii) the cost of Project launching and planning workshops.

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

4. The Trustee may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) civil works costing less than \$250,000 equivalent per contract; (b) goods costing less than \$200,000 equivalent per contract; (c) operating costs; (d) training, fellowships and workshops, and (e) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Trustee shall specify by notice to the Recipient.

5. If the Trustee shall have determined at any time that any payment made from the Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in addressing immediate basic health needs and developing health policies and a health system, through the restoration of access to a basic package of services and the laying of the foundation for health policies and a health system development.

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

Part A: Restoring Access to Basic Health Services

1. Implementation of a transitional strategy for health service provision, including (i) delivery of selected high priority activities (including immunization, tuberculosis treatment, nutrition, and health promotion), basic services (including maternal and child health), pharmaceuticals and logistic system, and essential and emergency hospital care; (ii) provision of training to health workers, procurement logistics staff and local staff of the HPMU; and (iii) construction of a central warehouse.

2. Construction, reconstruction and rehabilitation of health centers and provision of related equipment and materials.

3. Assessment and support of a hospital referral system and preparation of an action plan for addressing hospital needs and hospital capacity.

Part B: Health Policies and Health System Development

1. Health policy development through (i) identification of health policy issues, (ii) carrying out of health policy studies and a baseline survey, (iii) capacity building and training for the HPMU staff and key stakeholders, (iv) carrying out of stakeholders consultations, (v) carrying out of pilot programs to test policy options, (vi) dissemination of findings, (vii) drafting of health regulations, and (viii) provision of related technical assistance.

2. Planning the design of a health system, including organizational structure and supporting systems.

3. Establishment of a strategy for human resources development.

Part C: Program Management Unit

Strengthening the HPMU through provision of technical assistance.

* * * * *

The Project is expected to be completed by August 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Credits and IDA Credits" published by the Trustee in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. Limited International Bidding

Except as provided in paragraph 5 of this Section, works shall be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Except as provided in paragraph 3 of this Section, goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

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

4. Procurement from UN Agencies

Non-medical equipment, supplies, consumables and related spare parts estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000, may be procured from the Inter-Agency Procurement Services Offices of the United Nations Development Programme, in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Trustee, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Trustee of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, each contract for works estimated to cost \$250,000 or more, the first two contracts for goods procured under international shopping and national shopping, all contracts for goods procured from UN agencies, and the first two contracts for works procured under small works procedures, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost less than \$200,000, and each contract for works estimated to cost less than \$250,000, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Recipient shall provide to the Trustee a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Trustee a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for Project auditing estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single Source Selection

Services of a procurement agent, contracting of United Nations agencies, and assignments of a specialized nature which are estimated to cost less than \$100,000 equivalent per contract, may, with the Trustee's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for health policy development and studies, development of basic packages of health services and technical assistance to the HPMU shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Trustee of the Selection of Consultants

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for (i) the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, (ii) the employment of consulting firms under single source selection procedures, and (iii) the employment of consulting firms for assignments of a critical nature, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. 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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Recipient shall establish and thereafter maintain until completion of the Project, a Health Program Management Unit within the Recipient's Governance and Public Administration Pillar, with competent personnel in adequate numbers, including:

(a) a program director who shall be the senior health professional in the Recipient's Governance and Public Administration Pillar;

(b) a health planning and management specialist;

(c) a procurement specialist; and

(d) a financial manager.

2. In carrying out Part A of the Project, the Recipient shall enter into agreements with non-governmental organizations for the delivery of district health services in accordance with guidelines agreed with the Trustee.

3. In carrying out Part A.1 and A.2 of the Project, the Recipient shall:

(a) take measures to avoid or minimize the acquisition of land or assets of persons and to avoid the displacement of said persons;

(b) where the acquisition of land or assets or the displacement of persons is unavoidable, ensure that the Recipient shall, before carrying out the works which would result in such acquisition or displacement, make available to Affected Persons, compensation in accordance with the Guidelines for Compensation and Resettlement; and

(c) in the event that there are two hundred or more Affected Persons:

(i) prepare a resettlement plan in accordance with the Guidelines for Compensation and Resettlement and furnish such plan to the Trustee for approval; and

(ii) prior to the carrying out of the works, ensure that all Affected Persons shall have been compensated in accordance with the provisions of said plan.

4. In carrying out Part B of the Project, the Recipient shall:

(a) not later than October 31, 2000, prepare draft regulations concerning pharmaceuticals, under terms of reference acceptable to the Trustee;

(b) furnish such draft to the Trustee for comments; and

(c) thereafter, taking into consideration the comments of the Trustee, take the steps required to promulgate the regulations.

5. In carrying out Part B of the Project, the Recipient shall:

(a) not later than November 30, 2000, prepare an options paper, under terms of reference acceptable to the Trustee, which shall address the issues related to the private provision of health services;

(b) furnish the options paper to the Trustee for comments; and

(c) promptly thereafter, prepare an action plan taking into consideration the comments of the Trustee on the options paper.

6. In carrying out Part B of the Project, the Recipient shall:

(a) not later than January 31, 2001, prepare an options paper, under terms of reference acceptable to the Trustee, which shall address the issues of health financing, including fees for health services;

(b) furnish the options paper to the Trustee for comments; and

(c) promptly thereafter, prepare an action plan taking into consideration the comments of the Trustee on the options paper.

7. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Trustee, and furnish to the Trustee, on or about March 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Trustee, by May 31, 2001, or such later date as the Trustee shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Trustee's views on the matter.

SCHEDULE 5

Project Performance Indicators

SCHEDULE 6

General Conditions

ARTICLE I

Application to Trust Fund Grant Agreement

Section 1.01. Application of the General Conditions

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

ARTICLE II

Definitions; Headings

Section 2.01. Definitions

The following terms have the following meanings wherever used in these General Conditions:

1. "Association" means the International Development Association.
2. "Bank" means the International Bank for Reconstruction and Development.
3. "Closing Date" means the date specified in the Trust Fund Grant Agreement after which the Trustee may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.
4. "Currency of a country" means the coin or currency which is legal tender for the payment of public and private debts in that country.
5. "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.
6. "External debt" means any debt which is or may become payable other than in the currency of the country which is the recipient of the Grant.
7. "Grant" means the Grant provided for in the Trust Fund Grant Agreement.
8. "Grant Account" means the account opened by the Trustee on its books in the name of the Recipient to which the amount of the Grant is credited.
9. "Project" means the project or program for which the Grant is credited, as described in the Trust Fund Grant Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Trustee.
10. "Recipient" means East Timor as administered by the United Nations Transitional Administration in East Timor or any successor thereto as mandated by the United Nations Security Council.
11. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Trust Fund Grant Agreement or thereafter imposed.
12. "Trustee" means the International Development Association acting as trustee of

the Trust Fund for East Timor.

13. "Trust Fund Grant Agreement" means the particular Trust Fund for East Timor Grant Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Trust Fund Grant Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Trust Fund Grant Agreement.

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

Grant Account

Section 3.01. Grant Account

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

ARTICLE IV

Currency Provisions

Section 4.01. Currencies in which Withdrawals are to be Made

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

Section 4.05. Valuation of Currencies

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

ARTICLE V

Withdrawal of Proceeds of Grant

Section 5.01. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from 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 Grant Agreement and of these General Conditions. Except as the Trustee and the Recipient 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 produced in, or services supplied from, such territories, except East Timor; 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 Commitment by the Trustee

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

Section 5.03. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Trustee to enter into a special commitment pursuant to Section 5.02, the Recipient 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 Grant or the percentages for withdrawal set forth or referred to in the Trust Fund Grant Agreement, if the Trustee has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in the Trust Fund Grant 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 Recipient:

(a) reallocate to such category, to the extent required to meet the estimated shortfall, proceeds of 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 Recipient 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 Recipient 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 Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in the Trust Fund Grant Agreement.

Section 5.08. Treatment of Taxes

It is the policy of the Trustee that no proceeds of the Grant shall be withdrawn on account of payments for any taxes levied by, or in the territory of, the Recipient 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 Grant decreases or increases, the Trustee may, by notice to the Recipient, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in the Trust Fund Grant 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 Recipient from the Grant Account only to or on the order of the Recipient.

ARTICLE VI

Cancellation and Suspension

Section 6.01. Cancellation by the Recipient

The Recipient may, by notice to the Trustee, cancel any amount of the Grant which the Recipient shall not have withdrawn, except that the Recipient may not so cancel any amount of 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 shall have occurred and be continuing, the Trustee may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of any amount due to the Trustee: (i) under the Trust Fund Grant Agreement, or (ii) under any other Trust Fund Grant Agreement between the Recipient and the Trustee.

(b) The Recipient shall have failed to perform any other obligation under the Trust Fund Grant Agreement.

(c) The Trustee or the Bank shall have suspended in whole or in part the right of the Recipient to make withdrawals under any grant agreement with the Trustee or with the Bank because of a failure by the Recipient 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 Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under the Trust Fund Grant Agreement.

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

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

(g) The Recipient or any Project implementation entity shall, without the consent of the Trustee, have (i) assigned or transferred, in whole or in part, any of its obligations arising under the Trust Fund Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant, except with respect to transactions in the ordinary course of business which, in the opinion of the Trustee, (A) do not materially and adversely affect the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project, or the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Project implementation entity.

(h) Any Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of the Trust Fund Grant Agreement.

(i) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of any Project implementation entity.

(j) In the opinion of the Trustee, the legal character, ownership or control of any Project implementation entity shall have changed from that prevailing as of the date of the Trust Fund Grant Agreement so as to materially and adversely affect: (i) the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project; or (ii) the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project.

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

The right of the Recipient to make withdrawals from 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 Recipient 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 Recipient to make withdrawals from the Grant Account shall have been suspended with respect to any amount of the Grant for a continuous period of thirty days; or (b) at any time, the Trustee determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Grant; or (c) at any time, the Trustee determines, with respect to any contract to be financed out of the proceeds of the Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Trustee to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Grant; or (d) at any time, the Trustee determines that the procurement of any contract to be financed out of the proceeds of the Grant is inconsistent with the procedures set forth or referred to in the Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Grant; or (e) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account, the Trustee may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be cancelled.

Section 6.04. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Trustee

No cancellation or suspension by the Trustee shall apply to amounts subject to any special commitment entered into by the Trustee pursuant to Section 5.02 except as expressly provided in such commitment.

Section 6.05. Effectiveness of Provisions after Suspension or Cancellation

Notwithstanding any cancellation or suspension, all the provisions of the Trust Fund Grant Agreement shall continue in full force and effect except as specifically provided in this Article.

ARTICLE VII

Taxes

Section 7.01. Taxes

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

(b) The Trust Fund Grant 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 Recipient on or in connection with the execution, delivery or registration thereof.

ARTICLE VIII

Cooperation and Information; Financial and Economic Data; Project Implementation

Section 8.01. Cooperation and Information

(a) The Recipient and the Trustee shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient 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 Grant, and the performance of their respective obligations under the Trust Fund Grant 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 Recipient shall afford all reasonable opportunity for representatives of the Trustee to visit any part of its territories for purposes related to the Grant.

Section 8.02. Financial and Economic Data

The Recipient shall furnish to the Trustee all such information as the Trustee shall reasonably request with respect to 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 Recipient or any such subdivision, and any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Recipient.

Section 8.03. Insurance

The Recipient 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 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 8.04. Use of Goods and Services

Except as the Trustee shall otherwise agree, the Recipient shall cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Project.

Section 8.05. Plans and Schedules

The Recipient 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 8.06. Records and Reports

(a) The Recipient 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 Grant, and to disclose their use in the Project; (ii) 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 Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under the Trust Fund Grant 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 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 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 Recipient and the Trustee, the Recipient 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 Recipient and the Trustee of their respective obligations under the Trust Fund Grant Agreement and the accomplishment of the purposes of the Grant.

Section 8.07. Maintenance

The Recipient 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.

Section 8.08. Land Acquisition

The Recipient shall take, or cause to be taken, all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Trustee, promptly upon its request, evidence satisfactory to the Trustee that such land and rights in respect of land are available for purposes related to the Project.

ARTICLE IX

Enforceability of Trust Fund Grant Agreement; Failure to Exercise Rights; Arbitration

Section 9.01. Enforceability

The rights and obligations of the Recipient and the Trustee under the Trust Fund Grant 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 Recipient 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 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 in East Timor.

Section 9.02. 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 Grant 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 9.03. Arbitration

(a) Any controversy between the parties to the Trust Fund Grant Agreement and any claim by either such party against the other arising under the Trust Fund Grant 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 Recipient.

(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 Recipient; 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. 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 Grant 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 Grant 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 Recipient upon the award, to enforce the award against the Recipient by execution or to pursue any other remedy against the Recipient for the enforcement of the award, except as such procedure may be available against the Recipient 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 Recipient 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 10.01. The parties to the Trust Fund Grant Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE X

Miscellaneous Provisions

Section 10.01. Notices and Requests

Any notice or request required or permitted to be given or made under the Trust Fund Grant Agreement and any other agreement between the parties contemplated by the Trust Fund Grant Agreement shall be in writing. Except as otherwise provided in Section 10.03, 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, telex or facsimile 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 Grant Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail.

Section 10.02. Evidence of Authority

The Recipient shall furnish to the Trustee sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under the Trust Fund Grant Agreement, and the authenticated specimen signature of each such person.

Section 10.03. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Trust Fund Grant Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated

in the Trust Fund Grant 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 Grant Agreement may be agreed to on behalf of the Recipient by written instrument executed on behalf of the Recipient 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 Recipient under the Trust Fund Grant 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 Grant Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 10.04. Execution in Counterparts

The Trust Fund Grant Agreement may be executed in several counterparts, each of which shall be an original.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 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 the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Trustee a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient 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 the Special Account:

(a) if, at any time, the Trustee shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Trustee pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the 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 the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the 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 the Special Account shall be made until the Recipient 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 the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

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

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

