

CONFORMED COPY

TRUST FUND NUMBER TF029800

Trust Fund Grant Agreement

(Private Sector Development Technical Assistance Project)

between

FEDERAL REPUBLIC OF YUGOSLAVIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(Acting Jointly as the Administrator of the Trust Fund for FRY)

Dated August 23, 2001

TRUST FUND NUMBER TF029800

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated as of August 23, 2001, between FEDERAL REPUBLIC OF YUGOSLAVIA (the Recipient), AND INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) AND INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) (jointly, the Administrator).

WHEREAS (A) the Board of Governors of the Bank, acting on the recommendation of its Board of Executive Directors, decided on April 30, 2001, pursuant to Resolution No. 539, to transfer from Bank surplus, by way of grant, \$30,000,000 to a trust fund for the Federal Republic of Yugoslavia (TFFRY), established by Resolution of the Executive Directors of the Bank (IBRD Resolution No. 2001-0005) and Resolution of the Executive Directors of the Association (IDA Resolution No. 2001-0003), and to be administered by the Administrator, to be used for financing an emergency economic recovery and transition program in the Federal Republic of Yugoslavia;

(B) 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 the Administrator to assist, from the TFFRY, in the financing of the Project;

(C) the Project will be carried out by the Republic of Serbia, with the Recipient's assistance and, as part of such assistance, the Recipient will make available to the Republic of Serbia the proceeds of the Grant, as provided in this Agreement; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend a 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" (the General Conditions) set forth in Schedule 5 to this Agreement constitute an integral part of this Agreement.

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

(a) "Agency for Foreign Investment" means the Republic of Serbia Agency for Foreign Investment, or any successor thereto;

(b) "Agency for Privatization" means the Republic of Serbia Agency for Privatization, or any successor thereto;

(c) "Agency for SME Support" means the Republic of Serbia Agency for Small and Medium Enterprise Support, or any successor thereto;

(d) "MEP" Means the Ministry of Economy and Privatization of the Republic of Serbia, or any successor thereto;

(e) "Operational Manual" means a manual, satisfactory to the Administrator, adopted by the MEP, setting forth procedures and rules related to the Project implementation, as the same may be amended from time to time;

(f) "Privatization Framework" means: (i) the privatization laws and regulations adopted and to be adopted by the Republic of Serbia; and (ii) agencies and institutions established and to be established by the Republic of Serbia in to implement the privatization laws and regulations;

(g) "Project Management Report" means each report referred to in Section 4.01 (c) of this Agreement, and prepared in accordance with Section 4.02 of this Agreement;

(h) "PMU" means a project management unit established by the Recipient within MEP, and referred to in Section 3.02 (c) of this Agreement, or any successor thereto;

(i) "Sub-Grant and Project Implementation Agreement" means the agreement between the Recipient and Republic of Serbia, referred to in Section 3.03 (a) of this Agreement, and such term includes all schedules and agreements supplemental to the Sub-Grant Agreement and Project Implementation Agreement;

(j) "SME Department" means the Small and Medium Enterprise Department established within the MEP, or any successor thereto; and

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

Section 1.03. Each reference in the General Conditions to the "Project implementation entity" shall be deemed to as a reference to the Republic of Serbia.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Grant Agreement, a grant in an amount of six million Dollars (\$6,000,000).

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 Administrator shall so agree, to be made) in respect of reasonable cost of goods, services, training and incremental operating costs, required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project open and maintain in a commercial bank a special deposit account, in Dollars, on terms and conditions satisfactory to the Administrator, 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause the Republic of Serbia to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02 Without limitation upon the provisions of Section 3.01, and except as the Administrator and Recipient shall otherwise agree, the Recipient shall ensure that the Republic of Serbia:

(a) carries out the Project in accordance with the Implementation Program set forth in the Annex to Schedule 2 to this Agreement;

(b) implements the Privatization Framework in a timely and effective manner, in accordance with the terms and conditions, and under the procedures satisfactory to the Administrator, including those set forth in Section I of the Annex to Schedule 2 to this Agreement; and

(c) maintains, during the term of the Project, the PMU with staff and resources necessary and appropriate for the Project, and that the PMU operates in accordance with the Operational Manual.

Section 3.03. (a) The Recipient shall make the proceeds of the Grant, allocated from time to time to Categories (1) through (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, available to the Republic of Serbia under a subsidiary grant and project implementation agreement (Sub-Grant and Project Implementation Agreement) to be entered into between the Recipient and the Republic of Serbia, under terms and conditions which shall have been approved by the Administrator.

(b) The Recipient shall exercise its rights under the Sub-Grant and Project Implementation Agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant, and, except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Sub-Grant and Project Implementation Agreement, or any provision thereof.

Section 3.04. Except as the Administrator shall otherwise agree, procurement of the goods and 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 3.05. 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 agreed upon from time to time between the Recipient and the Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, by November 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, 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 Administrator, by December 31, 2002, or such later date as the Administrator shall request, the report referred to in subparagraph (b) of this paragraph, 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 Administrator's views on the matter.

Section 3.06. For the purposes of Section 24 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Administrator, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Administrator, consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than four (4) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Administrator may 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 Project Management Reports or statements of expenditure, the Recipient shall:

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

(ii) retain, until at least one (1) year after the Administrator 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 Administrator'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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Administrator for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than December 31, 2001, or such later date as the Administrator shall agree, to prepare quarterly Project management reports, acceptable to the Administrator, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the three-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Grant during the four-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Grant, as at the end of the period covered by said report.

(b) Upon the completion by the Recipient of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Administrator, and furnish to the Administrator not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to paragraph (k) of Section 16 of the General Conditions, the following additional events are specified:

(a) the Republic of Serbia shall have failed to perform any of its obligations under the Sub-Grant and Project Implementation Agreement; and

(b) the Sub-Grant and Project Implementation Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Republic of Serbia to carry out the Project.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an addition condition to the effectiveness of this Agreement within the meaning of Section 34 (c) of the General Conditions, namely that the Project Implementation and Sub-Grant Agreement has been executed on behalf of the Recipient and Republic of Serbia, and all conditions to the effectiveness of such agreement have been fulfilled.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 35 of the General Conditions, to be included in the opinion or opinions to be furnished to the Administrator, namely that the Sub-Grant and Project Implementation Agreement has been duly authorized or ratified by the Recipient and Republic of Serbia, and is legally binding upon the Recipient and the Republic of Serbia in accordance with its terms.

Section 6.03. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties have fulfilled their obligations thereunder.

Section 6.04. The date sixty (60) days after the date of this Agreement is hereby specified for the purpose of Section 36 (a) of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Deputy Prime Minister of the Recipient's government is designated as representative of the Recipient for the purposes of Section 31 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 30 of the General Conditions:

For the Recipient:

Federal Government
Bul. Mikajla Pupina 2
Belgrade 11070
Federal Republic of Yugoslavia

Facsimile:

(381 11) 311-2979

For the Administrator:

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 the District of Columbia, United States of America, as of the day and year first above written.

FEDERAL REPUBLIC OF YUGOSLAVIA

By /s/ Miroljub Labus

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION
(Acting as Administrator of the TFFRY)

By /s/ Elaine Patterson

Authorized Representative

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:

Amount of the Grant Allocated	% of
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Category	(Expressed in Expenditures Dollars)	to be Financed
(1) Consultants' services		
(a) Services by individuals	890,000	84%
(b) Services by firms, including auditing services	3,840,000	97%
(2) Goods	210,000	100%
(3) Training	230,000	100%
(4) Incremental operating costs		
(a) Cost of incremental PMU staff	100,000	86%
(b) All other incremental operating costs	670,000	100%
(5) Unallocated	60,000	
TOTAL	6,000,000	

2. For the purpose of this Schedule:

(a) the term "Incremental operating costs" means reasonable incremental expenses incurred on account of Project implementation, management and monitoring, including Agency for Privatization staff salaries, office space, office supplies, publication of procurement notices, vehicle operation, travel and supervision costs, but excluding salaries of officials and employees of the Recipient and Republic of Serbia; and

(b) the term "Training" means the fees of educational and other institutions and organizations that provide training services, cost of study tours, cost of workshops, related travel expenditures, boarding, lodging and per diem allowances.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$600,000 may be made in respect of the Categories set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 1, 2001.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods, under contracts costing less than \$50,000 equivalent each, with the exception of the first contract, or goods procured under international shopping, national shopping or direct contracting methods; (b) services of consulting firms, under contracts costing less than \$100,000 equivalent each, with the exception of the first contract; (c) services of individual consultants, under contracts costing less than \$50,000 equivalent each, with the exception of the first contract; (d) training under contracts costing less than \$50,000; and (e) all incremental operating costs, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen private sector production and economic activity in the Republic of Serbia.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Privatization of State and Socially Owned Enterprises

Support of rapid privatization of a number of large state and socially owned

enterprises, using case-by-case and pool privatization techniques, on the basis of transparent and competitive procedures, and assistance of internationally recognized investment banks and sales agents, set forth in Section I of the Annex to this Schedule, through the provision of consulting services.

Part B: Agency for Privatization

Assistance in the establishment, operation and institutional strengthening of the Agency for Privatization, through the provision of consulting and staff services, training, and goods.

Part C: Agency for Foreign Investment and Agency for SME Support

1. Assistance in the establishment, operation and institutional strengthening of the Foreign Investment Agency, through the provision of consulting services, training and goods.

2. Assistance in the operation and institutional strengthening of the Agency for SME Support, through the provisions of consulting services, training, and goods.

Part D: Project Management and Implementation

Assistance in the management and implementation of the Project, including and the procurement and financial management areas, through the provision of consulting services, including the audit of accounts and financial statements referred to in Section 4.01 (b) of this Agreement provision of incremental operating expenses and goods.

* * *

The Project is expected to be completed by December 31, 2003.

ANNEX TO SCHEDULE 2

Implementation Program

Section I: Terms and Conditions, and Procedures Related to Part A of the Project

1. Implementation Responsibility. The Recipient shall ensure that the MEP shall be responsible for the implementation of Part A of the Project, specifically the overall oversight and policy direction of Part A of the Project. The MEP shall be assisted by the Agency for Privatization, which shall be responsible for technical and procedural aspects of Part A of the Project.

2. Enterprises to be Privatized. The enterprises to be privatized under Part A of the Project, with support from Grant funds, shall be mutually agreed upon by the Administrator and the Republic of Serbia (MEP and Agency for Privatization), and shall be described in a list (the List), which may be modified from time to time, but only upon the explicit agreement of the Administrator.

3. Sales Agents. The MEP and/or Agency for Privatization shall engage consultants such as financial advisers and investment banks, or other qualified agents (the sales agents) to assist the MEP and/or Agency for Privatization to prepare the enterprises on the List for privatization, and to privatize such enterprises, which shall include conducting the tenders for such enterprise on behalf of the Agency for Privatization. The sales agents shall be selected in accordance with the procurement rules set forth in Schedule 3 to this Agreement, and shall have appropriate international privatization experience and qualifications. The sales agents' retainer fees may be financed under the Grant. Their success fees, if any, shall be paid out of sales proceed and shall not be financed under the Grant.

4. Privatization Procedures. The enterprises on the List shall be prepared for privatization and privatized in accordance with the following procedures:

(a) For each company to be privatized, the MEP and or Agency for Privatization shall submit to the Administrator for review and approval the following documents, which shall be prepared with the assistance of financial advisers: (i) a list of potential/proposed bidders who have expressed interest; (ii) the draft information memorandum, which, among other things, shall set forth specific investment

and labor retention (employment) requirements; (iii) proposed criteria for pre-selection of bidders; (iv) proposed strategic investor criteria; (v) proposed criteria for selection of winning bidders; and (vi) a report prepared by the sales agent on the tender.

(b) The Agency for Privatization shall compare and evaluate all bids, and select the winner based exclusively on price quotations. The bidders shall be required to accept the investment and labor retention (employment) requirements set forth in the information memorandum in their entirety, and to formulate their bids accordingly. Direct negotiations with respect to prices or other price related variables shall not be undertaken, except in cases where a properly conducted international tendered results in only one qualified bid.

(c) In cases of direct negotiations described in paragraph 4 (b) of this Section I, the Agency for Privatization shall, prior to concluding a formal privatization agreement with the winning bidder, prepare a detailed protocol (minutes) of the negotiations with the winning bidder, which shall be signed by the head of the Agency for Privatization and the official representative of the winning bidder, and shall submit such a protocol to the MEP and Administrator, together with a proposed privatization contract and any other documents requested by the MEP and/or the Administrator, for review. Such a review shall be undertaken and comments, if any, provided by the MEP and Administrator, within thirty (30) days.

5. Terms and Conditions of Privatization. The enterprises on the List shall be privatized in accordance with the following terms and conditions:

(a) at least seventy percent (70%) of the total capital available for each enterprise on the List shall be offered for sale to a strategic investor; the term "strategic investor" for the purposes of paragraphs 4 (a) and 5 of this Section I, shall mean a legal entity that: (i) is not, directly or indirectly, owned or controlled by the managers or employees of the enterprise; and (ii) has the required experience, resources, and reputation, as determined by the sales agent, and agreed upon by the MEP and Administrator;

(b) the capital of the enterprise to be transferred or made available, directly or indirectly, to the employees or managers of the enterprise shall not exceed fifteen percent (15%) of the total capital of the enterprise, and shall not be so transferred until at least fifty percent (50%) of the total capital of the enterprise has been sold to the strategic investor.

6. Timetable. By March 31, 2002, the MEP and/or Agency for Privatization shall execute consultants' contracts with duly selected all sales agents with respect to all enterprises on the List. The sales agents shall be required to submit privatization plans with respect to all enterprises on the List by August 31, 2002. The MEP and/or Agency for Privatization shall accept twenty seven (27) privatization plans, unaltered or substantially unaltered, and shall, within a reasonable time, publicly announce the privatization sales following the recommendations of the sales agents. The enterprises on the List which the sales agents advise cannot or should not be privatized without additional restructuring shall be designated by the MEP and/or Agency for Privatization for restructuring, in accordance with the restructuring terms and procedures set forth in the privatization law, expected to be enacted by the Republic of Serbia by or before July 31, 2001, and the related regulations. The MEP and/or Agency for Privatization shall ensure that the tenders for the enterprises that have not been moved to restructuring shall have been completed by March 31, 2003, and that all of the enterprises offered for privatization shall have been either sold or moved to restructuring.

Section II: Part C of the Project

With respect to Part C of the Project, the Recipient shall ensure that the Republic of Serbia shall establish and maintain, during the term of the Project, an inter-ministerial working group whose members shall include representatives of the ministries and agencies involved in the regulation of business activities in the Republic of Serbia. The working group shall be responsible for formulating policy recommendations for the government of the Republic of Serbia regarding deregulation of the business environment and reduction of administrative barriers to entry and expansion of firms, in particular, small and medium enterprises, in the Republic of Serbia. The working group shall be assisted by an adviser (consultant) who shall have

the required international experience, and policy and business expertise.

SCHEDULE 3

Procurement

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 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

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.

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$140,000 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.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000 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.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to all contracts procured under Part B of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract procured under each Part C.1 and C.2, and all contracts procured under Part C estimated to cost the equivalent of \$50,000 or more, the following procedures shall apply:

- (i) prior to the execution of any contract under procured shopping procedures, the Recipient shall provide to the Administrator 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 Administrator 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

1. 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 related to case-by-case privatization and audit services shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for training under Parts B, C or D of the Project, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services related to privatization, studies, surveys and project management and administration under Parts B, C or D of the Project and that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, 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 Bank of the Selection of Consultants

1. Selection Planning

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

2. Prior Review

(a) With respect to the first contract procured under each Parts C.1 and C.2 of this Section II, and each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to the Grant Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, services, training and incremental operating costs 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 the Grant Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$300,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 7 of the General Conditions shall be equal to or exceed the equivalent of \$900,000.

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

3. After the Administrator 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 Administrator 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 Administrator 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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 Administrator 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 Administrator 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Section 6 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator 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 16 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 Administrator pursuant to Section 7 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 Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator 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.

SCHEDULE 5

General Conditions

Section 1. Application of General Conditions

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

Section 2. Definitions

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

(a) "Administrator" means the Bank and Association, acting jointly as

administrator of the TFFRY;

(b) "Closing Date" means the date specified in Section 2.03 of this Agreement after which the Administrator may, by notice to the Recipient, terminate the right of the recipient to withdraw from the Grant Account;

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

(d) "Effective Date" means the date on which this Grant Agreement shall enter into effect as provided in Section 36 of this Schedule;

(e) "Grant" means the grant provided for in this Agreement;

(f) "Grant Account" means the account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;

(g) "Project" means the project for which the Grant is made, as described in Schedule 2 to this Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Administrator; and

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

Section 3. 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 this Agreement and in these General Conditions.

Section 4. Currencies in which Withdrawals are to be Made

Except as the Recipient and the Administrator 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.

Section 5. Valuation of Currencies

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

Section 6. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from the Grant Account amounts expended or, if the Administrator shall so agree, amounts to be expended for the Project in accordance with the provisions of this Agreement and of these General Conditions. Except as the Administrator 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 Administrator or for goods produced 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 Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Section 7. Special Commitments by the Administrator

Upon the Recipient's request and upon such terms and conditions as shall be agreed upon between the Recipient and the Administrator, the Administrator 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 Administrator or the Recipient.

Section 8. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Administrator to enter into a special commitment pursuant to Section 7 of the General Conditions, the Recipient shall deliver to the Administrator a written application in such form, and containing such statements and agreements, as the Administrator shall reasonably request. Applications for withdrawal, including the

documentation required therefor, shall be made promptly in relation to expenditures for the Project.

Section 9. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in this Agreement, if the Administrator has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in this Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Administrator 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 Administrator 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 10. Evidence of Authority to Sign Applications for Withdrawal

The Recipient shall furnish to the Administrator 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 11. Supporting Evidence

The Recipient shall furnish to the Administrator such documents and other evidence in support of the application as the Administrator shall reasonably request, whether before or after the Administrator shall have permitted any withdrawal requested in the application.

Section 12. Sufficiency of Applications and Documents

Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Administrator 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 this Agreement.

Section 13. Treatment of Taxes

It is the policy of the Administrator that no proceeds of the Grant shall be withdrawn on account of payments for any taxes levied in the territory in which the Recipient is located 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 Administrator may, by notice to the Recipient, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in this Agreement as required to be consistent with such policy of the Administrator.

Section 14. Payment by the Administrator

The Administrator shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

Section 15. Cancellation by the Recipient

The Recipient may, by notice to the Administrator, 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 Administrator shall have entered into a special commitment pursuant to Section 7 of this Schedule.

Section 16. Suspension by the Administrator

If any of the following events of suspension shall have occurred and be continuing, the Administrator 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 perform any other obligation under this Agreement.

(b) The Administrator shall have suspended in whole or in part the right of the Recipient to make withdrawals under any grant agreement with the Administrator because of a failure by the Recipient to perform any of its obligations under such agreement with the Administrator.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out, or that the Recipient or any Project implementation entity will be able to perform its obligations under this Agreement.

(d) The member of the Bank which is the Recipient: (i) shall have been suspended from membership in or ceased to be a member of the Bank or Association, or (ii) shall have ceased to be a member of the International Monetary Fund.

(e) After the date of this Agreement and prior to the effective date, any event shall have occurred which would have entitled the Administrator to suspend the Recipient's right to make withdrawals under the Grant if the Agreement had been effective on the date such event occurred.

(f) A representation made by the Recipient in or pursuant to the Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Administrator 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 Association, have: (i) assigned or transferred, in whole or in part, any of its obligations arising under this 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 Administrator, do not materially and adversely affect the ability of the Recipient to perform any of its obligations under this 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, this Agreement, or to achieve the objectives of the Project.

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

(i) The Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of this Agreement.

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

(k) Any other event specified in this 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 Administrator 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 17. Cancellation by the Administrator

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 (30) days; or (b) at any time, the Administrator 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 Administrator 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 Administrator 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 Administrator determines that the procurement of any item is inconsistent with the procedures set forth or referred to in this 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 Grant; or (e) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account, the Administrator 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 18. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Administrator

No cancellation or suspension by the Administrator shall apply to amounts subject to any special commitment entered into by the Administrator pursuant to Section 7 of the General Conditions except as expressly provided in such commitment.

Section 19. Effectiveness of Provisions after Suspension or Cancellation

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

Section 20. Cooperation and Information

The Recipient and the Administrator shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Administrator shall: (a) 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 this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and (b) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a) above.

Section 21. 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 22. Use of Goods, Works and Services

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

Section 23. Plans and Schedules

The Recipient shall furnish, or cause to be furnished, to the Administrator 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 Administrator shall reasonably request.

Section 24. 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 Administrator'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 this Agreement; and (iii) furnish to the Administrator at regular intervals all such information as the Administrator 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 Administrator 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 (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, the Recipient shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator 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 Administrator of their respective obligations under this Agreement and the accomplishment of the purposes of the Grant.

Section 25. 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 26. Land Acquisition

The Recipient shall 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 Administrator, promptly upon its request, evidence satisfactory to the Administrator that such land and rights in respect of land are available for purposes related to the Project.

Section 27. Enforceability

The rights and obligations of the Administrator and Recipient under the 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 Administrator nor the Recipient shall be entitled in any proceeding under this Article to assert any claim that any provision of these General Conditions or of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank.

Section 28. Failure to Exercise Rights

No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under the 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 29. Arbitration

(a) Any controversy between the parties to the Grant Agreement, and any claim by any such party against any other such party arising under the 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 Administrator on the one side and the Recipient on the other side.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Administrator; 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 or, failing appointment by said President, by the Secretary-General of the United Nations. If either side 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 and the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within (30) 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 (60) days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, any 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 all 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 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. The Administrator and Recipient shall each defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the Administrator on the one side and the Recipient on the other. 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 Grant Agreement or of any claim by any such party against any other such party arising thereunder.

(k) If, within thirty (30) days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against any party that is a member of the Bank or Association except as such procedure may be available otherwise than by reason of the provisions of this Section.

(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 28 of the General Conditions. The parties to the Grant Agreement waive any and all other requirements for the service of any such notice or process.

Section 30. Notices and Requests

Any notice or request required or permitted to be given or made under this Agreement and any other agreement between the parties contemplated by this Agreement shall be in writing. 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 this Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Delivery made by facsimile transmission shall be confirmed by mail.

Section 31. Evidence of Authority

The Recipient shall furnish to the Administrator 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 this Agreement, and the authenticated specimen signature of each such person.

Section 32. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in this 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 this 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 this Agreement. The Administrator 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 this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 33. Execution in Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original.

Section 34. Conditions Precedent to Effectiveness of Grant Agreement

The Grant Agreement shall not become effective until evidence satisfactory to the Administrator shall have been furnished to the Administrator:

(a) that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action;

(b) if the Administrator shall so request, that the condition of the Grant recipient (other than a member of the Bank or Association), as represented or warranted to the Administrator at the date of this Agreement, has undergone no material adverse change after such date; and

(c) that all other events specified in this Agreement as conditions to effectiveness have occurred.

Section 35. Legal Opinions or Certificates

As part of the evidence to be furnished pursuant to Section 34 of the General Conditions, there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator shall so request, a certificate satisfactory to the Administrator of a competent official of the Recipient showing:

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

(b) such other matters as shall be specified in this Agreement or as shall be reasonably requested by the Administrator in connection therewith.

Section 36. Effective Date

(a) Except as the Administrator and the Recipient shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator dispatches to the Recipient notice of its acceptance of the evidence required by Section 34 of the General Conditions.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Administrator to suspend the right of the Recipient to make

withdrawals from the Grant Account if this Agreement had been effective, the Administrator may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event or events or situation shall have ceased to exist.

Section 37. Termination of Grant Agreement for Failure to Become Effective

If this Agreement shall not have entered into effect by the date specified in this Agreement for the purposes of this Section, this Agreement and all obligations of the parties thereunder shall terminate, unless the Administrator, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Administrator shall promptly notify the Recipient of such later date.

