

CONFORMED COPY

TF 026065 GZ

Trust Fund Credit Agreement

(Education and Health Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

(an Agency of the Palestine Liberation Organization)

Dated July 9, 1995

TF 026065 GZ

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated July 9, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the Administrator) of the Trust Fund for Gaza, established by a Resolution of the Board of Governors of the International Development Association (the Trust Fund), and PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (the Borrower), an agency established and operating under a Basic Regulation issued on May 14, 1994, under a Decree from the Chairman of the Executive Committee of the Palestine Liberation Organization (the PLO).

WHEREAS (A) the Board of Governors of the International Development Association, acting on the recommendation of its Executive Directors, has decided on November 11, 1993, to establish the Trust Fund in the amount of fifty million dollars (\$50,000,000) to be transferred from the surplus of the International Bank for Reconstruction and Development, and to be used for financing rehabilitation projects in the Gaza Strip (Gaza);

(B) the Borrower has been established specifically to coordinate and implement programs and projects for the development and reconstruction of the West Bank (the West Bank) and Gaza and to be the recipient of funds allocated therefor;

(C) the Borrower has requested the Administrator to assist in financing the project described in Schedule 2 to this Agreement (the Project);

(D) under the Agreement on the Gaza Strip and the Jericho Area between the PLO and the Government of the State of Israel, dated May 4, 1994, the parties thereto

agreed to the establishment by the PLO of a Palestinian Authority (the Palestinian Authority) to perform the powers and functions therein set forth;

(E) the Palestinian Authority has made certain confirmations to the Administrator as to the power of the Borrower to enter into this Agreement and as to the succession arrangements to be made with respect to rights and obligations of the Borrower in case of its full or partial dissolution, reconstitution or merger; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions" set forth in Schedule 1 to the Trust Fund Credit Agreement between the Administrator and the Borrower, dated September 7, 1994, relating to the Emergency Rehabilitation Project (TF 026066 GZ), with the following modification thereto (the General Conditions), constitute an integral part of this Agreement:

The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower 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 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) "MEHE" means the Ministry of Education and Higher Education of the Palestinian Authority;

(b) "MOH" means the Ministry of Health of the Palestinian Authority;

(c) "Category" means a category of items to be financed out of the proceeds of the Credit, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and the term "Categories" means more than one Category;

(d) "Project Coordination Units" means the two Project coordination units to be established pursuant to the provisions of Section A of Schedule 4 to this Agreement; and "Project Coordination Unit" means either one of the two Project Coordination Units;

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

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

(g) "Special Accounts" means, collectively, Special Account A and Special Account B; and "Special Account" means either Special Account A or Special Account B.

## ARTICLE II

### The Credit

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

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two separate special deposit accounts in one or more commercial banks on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Special Account A shall be used exclusively to finance expenditures under Categories (1) (a), (2) (a), (3) (a) and (4) (a) while Special Account B shall be used exclusively to finance expenditures under Categories (1) (b), (2) (b), (3) (b) and (4) (b). Deposits into, and payments out of, a Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.04. (a) The Borrower shall pay to the Administrator a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Administrator as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.\*

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2005, and ending February 15, 2035. Each installment to and including the installment payable on February 15, 2015, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

Section 2.09. MEHE and MOH are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

## Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A of the Project through MEHE and Part B of the Project through MOH, all with due diligence and efficiency and in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, as the same may be amended from time to time by mutual agreement of the Borrower and the Administrator.

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

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall cause each of MEHE and MOH to:

- (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 Borrower, on the one part, and MEHE and MOH, on the other part, a plan for the future operation of its respective Part of the Project;
- (b) afford the Administrator a reasonable opportunity to exchange views with each of MEHE and MOH on said plan; and
- (c) thereafter, carry out said plan with due diligence and efficiency, and in accordance with appropriate practices, taking into account the Administrator's comments thereon.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall cause each of MEHE and MOH to maintain, in respect of the Project, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of MEHE and MOH.

(b) The Borrower shall cause each of MEHE and MOH to:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the respective Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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 six (6) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

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

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

(ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last disbursement from the Credit 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 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

##### Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

Palestinian Economic Council  
for Development and Reconstruction  
c/o Palestinian Authority  
Jericho

For the Administrator:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James D. Wolfensohn

President

PALESTINIAN ECONOMIC COUNCIL FOR

DEVELOPMENT AND RECONSTRUCTION

By /s/ Yasser Arafat

Chairman of the Board of Governors

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works		
(a) Under Part A of the Project	9,750,000	100%
(b) Under Part B of the Project	4,000,000	100%
(2) Goods		
(a) Under Part A of the Project	80,000	100%
(b) Under Part B of the Project	460,000	100%
(3) Consultants' services, studies and training		
(a) Under Part A of the Project	1,150,000	100%
(b) Under Part B of the Project	3,070,000	100%
(4) Operating expenditures		
(a) Under Part A of the Project	50,000	100%
(b) Under Part B of the Project	80,000	100%
(5) Unallocated	1,360,000	
TOTAL	20,000,000	

2. For the purposes of this Schedule, the term "operating expenditures" means expenditures incurred by MEHE and MOH on account of maintenance and insurance of vehicles, fuel, telephone charges and domestic travel.

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 to exceed \$1,650, 000, may be made in respect of the Project on account of payments made for expenditures before the date of this Agreement but after March 1, 1995.

4. The Administrator may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for goods, works and services under contracts not exceeding \$250,000 equivalent for goods and works, \$100,000 equivalent for services with firms, and \$50,000 equivalent for services with individuals, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project, which consists of activities to be carried out exclusively in Gaza, are to assist the Palestinian Authority in (a) upgrading the physical infrastructure in the education and health sectors; (b) improving the quality of health service delivery; and (c) strengthening the institutional capabilities of MEHE and MOH.

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

#### Part A: Education Sector

1. Rehabilitation of about twenty-four (24) schools, including reconstruction of damaged physical structures and replacement and repair of damaged furniture.
2. Construction of about seven (7) new schools and the provision of furniture therefor.
3. Technical and operational support to the Project Coordination Unit within MEHE, including training of the staff thereof.

#### Part B: Health Sector

1. Upgrading of facilities at about three (3) comprehensive health centers and the provision of furniture therefor.
2. Reconstruction of damaged physical structures at about three (3) comprehensive health centers and four (4) health centers, and the provision of furniture therefor.
3. Carrying out a program to improve the quality of primary and secondary health service delivery.
4. Carrying out a school program on health education.
5. Preparation of a five-year plan for the development of the health sector.
6. Carrying out a feasibility study on ways to improve communication links between the West Bank and Gaza to facilitate the exchange of medical expertise and enhance the medical referral system.
7. Technical and operational support to the Project Coordination Unit within MOH, including training of the staff thereof.

\* \* \* \* \*

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

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the

Administrator in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

2. Works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B shall be subject to the following provision, namely, that the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to works to be carried out by domestic contractors from the West Bank and Gaza.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$3,000,000 equivalent or less per contract, and not to exceed \$6,700,000 equivalent in the aggregate, and goods estimated to cost in excess of \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with procedures acceptable to the Administrator. Said procedures shall ensure, inter alia, that: (i) tenders shall be advertised for at least two (2) consecutive days in a local newspaper of wide circulation; (ii) prospective bidders shall be allowed a minimum of thirty (30) days between the date upon which the notification appears in the newspaper for the first time and the date upon which the bid is submitted; (iii) the format of the bidding documents shall be consistent with that of the Administrator's standard bidding documents, or with the format of bidding documents used by United Nations Agencies operating in Gaza; (iv) interested foreign contractors and suppliers shall be allowed to bid; (v) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried; (vi) all bids shall be opened at the same time in public; (vii) contracts shall be awarded to the lowest evaluated bidder; (viii) no bidder shall be requested or permitted to modify his, her or its bid after the bid closing date shall have elapsed; (ix) price negotiations with the lowest evaluated bidder shall be limited to cases provided for under the Guidelines; and (x) postqualification criteria shall, in the absence of a prequalification process, be explicitly stated in the bidding documents.

2. National Shopping

(a) Goods estimated to cost \$50,000 equivalent or less per contract, and not to exceed \$1,218,000 equivalent in the aggregate, 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.

(b) Works estimated to cost \$50,000 equivalent or less per contract, and not to exceed \$720,000 equivalent in the aggregate, shall be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors from the West Bank or Gaza 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 Administrator, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

3. Direct Contracting

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

Part D: Review by the Administrator 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 Administrator 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' and training services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Administrator in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Administrator, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Project Implementation and Coordination

The Borrower shall cause each of MEHE and MOH to establish, not later than September 30, 1995, and thereafter maintain, a Project Coordination Unit, with competent staff in adequate numbers, to assist each of MEHE and MOH in the implementation of its respective Part of the Project.

B. Progress Reports and Work Programs

The Borrower shall cause each of MEHE and MOH to:

(i) maintain policies and procedures adequate to enable each of MEHE and MOH to evaluate on an on-going basis, in accordance with indicators satisfactory to the Administrator, the carrying out of its respective Part of the Project and the achievement of the objectives thereof;

(ii) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, not later than

September 30 of each year until completion of the Project, commencing September 30, 1995, a report, integrating the results of the monitoring and evaluation activities, performed pursuant to the provisions of paragraph (a) of this Section, on the progress achieved in the carrying out of its respective Part 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 its respective Part of the Project, and the achievement of the objectives thereof, in the course of the twelve (12) months immediately following such date; and

(iii) review with the Administrator, not later than December 1 of each year until completion of the Project, commencing December 1, 1995, the report referred to under paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient implementation of its respective Part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Administrator's views on the matter.

## SCHEDULE 5

### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (1) (b), (2) (a), (2) (b), (3) (a), (3) (b), (4) (a) and (4) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into a Special Account pursuant to paragraph 3 (a) of this Schedule equivalent, in case of Special Account A, to \$1,000,000, and in case of Special Account B, to \$700,000, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation for each Special Account shall be limited to an amount equivalent to \$400,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions, shall be equal to or exceed the equivalent of \$2,000,000 under Part A of the Project and \$2,000,000 under Part B of the Project, respectively.

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

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

(b) (i) For replenishment of a Special Account, the Borrower 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 Borrower 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a Special Account, the Borrower 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 either Special Account:

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

(b) if the Borrower shall have failed to furnish to the 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 Accounts;

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the aggregate amount of the Authorized Allocation for Special Account A and Special Account B.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. 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 a 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account in question (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 either Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Borrower may, upon notice to the Administrator, refund to the

Administrator all or any portion of the funds on deposit in either Special Account.

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

