

CONFORMED COPY

TF 026058

Trust Fund Credit Agreement

(Second Emergency Rehabilitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION (acting as Administrator of
the Trust Fund for Gaza and West Bank)

and

PALESTINIAN ECONOMIC COUNCIL FOR
DEVELOPMENT AND RECONSTRUCTION

(an Agency of the Palestine Liberation
Organization)

Dated May 1, 1996

TF 026058

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated May 1, 1996, between INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the Administrator) of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3, of the Executive Directors of the International Bank for Reconstruction and Development and 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 (the 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 Bank for Reconstruction and Development, acting on the recommendation of its Board of Executive Directors, has decided on October 12, 1995, to replenish the Trust Fund in the amount of \$90,000,000 to be transferred from the net income of the International Bank for Reconstruction and Development, and to be used for financing rehabilitation activities in Gaza and the West Bank;

(B) the Borrower was established specifically to be responsible for coordinating and implementing programs and projects for the development and reconstruction of the West Bank and Gaza (the Territories) and to be the recipient of funds allocated therefore;

(C) the Borrower and the Administrator have entered into a Trust Fund Credit

Agreement (Emergency Rehabilitation Project), dated September 7, 1994 (the First Trust Fund Credit Agreement) for the purpose of assisting in the financing of the project described in Schedule 3 to the First Trust Fund Credit Agreement (the First Emergency Rehabilitation Project);

(D) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in financing the Project;

(E) 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;

(F) the Palestinian Authority had 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 First Trust Fund Credit Agreement, with the modifications set forth below (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 Bank 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 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) "PMO" means the Program Management and Monitoring Office of the Borrower;

(b) "Sub-Project" means any component of the Project;

(c) "Implementing Agency" means any entity in the Territories, or an agency of the United Nations operating therein, to which the Borrower shall assign the responsibility for implementation of a Sub-project;

(d) "Co-Financier" means any donor providing the Borrower with a loan or a grant to assist in financing the Project;

(e) "Co-Financing Agreements" means the agreements to be concluded between the Borrower and the Co-Financiers; and

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

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 a special deposit account in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 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 1 and August 1 in each year.

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

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

ARTICLE III

Execution of the Project

Section 3.01. 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 the Project with due diligence and efficiency and in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, as such Implementation Program shall be modified from time to time by the 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.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

(iii) enable the Administrator's representatives, based on an appropriate notice, to examine such records; and

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

ARTICLE V

Remedies of the Administrator

Section 5.01. (a) Pursuant to Section 6.02 (g) of the General Conditions, the following additional event is specified, namely, that subject to paragraph (b) of this paragraph: (i) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement

providing therefor, or (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Termination

Section 6.01. 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 VII

Representatives of the Borrower; Addresses

Section 7.01. 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 7.02. 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
95 Rue Mouawya Ibn Abou Soufiane Street
El Mensah VI-Tunis
Republic of Tunisia

or

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:

248423 (MCI)
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.

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund)

By /s/ Kemal Dervis

Regional Vice President
Middle East and North Africa

PALESTINIAN ECONOMIC COUNCIL FOR
DEVELOPMENT AND RECONSTRUCTION

By /s/ Sa'eb Erakat

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the 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 Dollars)	% of Expenditures to be Financed
(1) Civil Works	16,440,000	100%
(2) Vehicles, Equipment, Supplies and Spares	360,000	100%
(3) Consultants' services, studies and training	600,000	100%
(4) Incremental Operating Expenditures of the Borrower	600,000	100%
(5) Unallocated	2,000,000	
TOTAL	20,000,000	

2. For the purposes of this Schedule the term "operating expenditures" means expenditures incurred by the Borrower on account of salaries, operation equipment, rentals, supplies and utility prices.

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

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

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's programs initiated under the First Emergency Rehabilitation Project to address the most pressing needs for rehabilitation and improvement of essential services in the West Bank and Gaza and

for creation of productive employment.

The Project consists of the following components:

Part A: Rehabilitation of Infrastructure

(1) Water Supply, Waste Water and Sanitation: implementation of high priority works and provision of essential operation and maintenance equipment, including: (a) upgrading of wells and storage facilities; (b) upgrading/extension of storm water collection and sewerage system; (c) installation of urgently needed wells and improvement of water supply in selected villages; (d) provision of equipment, operation vehicles, supplies, spares and materials to meet basic operation and maintenance requirements; and (e) provision of engineering services for purposes of project preparation and implementation.

(2) Inter-urban Roads: rehabilitation of main road network, including: (a) rehabilitation of main roads and of village access roads; (b) provision of guard rails, maintenance equipment and vehicle and office facilities; and (c) provision of engineering services to assist in road program preparation, work supervision and staff training.

(3) Municipal Roads: rehabilitation of critical municipal road sections, including: (a) rehabilitation/improvement of secondary roads and internal village roads; (b) implementation of a short-term program for removal of debris; (c) provision of essential equipment, vehicles and materials required for road maintenance, construction supervision and staff training; and (d) provision of engineering services to assist municipalities in road program preparation, construction supervision and staff training.

Part B: Institutional Support

(1) Support for the operation of the Borrower and Implementing Agencies, through the financing of employment of staff, rental of office facilities and acquisition of operation vehicles, equipment and materials.

(2) Provision of Consultants' services to assist in the management of the Project and other programs of the Borrower, and in procurement, accounting and audit of account.

(3) Carrying out of studies and training for the staff of the Borrower and Implementing Agencies.

* * *

The Project is expected to be completed by June 30, 1997.

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 Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

2. Goods and 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 goods manufactured in, and works to be carried out by domestic contractors from, the Territories.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost the equivalent of \$2,000,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Administrator. Such procedures shall ensure, inter alia, that: (i) tenders will be advertised for at least two consecutive days in a local newspaper of wide circulation; (ii) prospective bidders will be allowed a minimum of 15 days between the first appearance of notification and bid submission; (iii) bidding documents will follow the formats of the Administrator's Standard Bidding Documents or those used by United Nations Agencies operating in the Territories; (iv) if interested, foreign bidders will be allowed to submit bids; (v) bids will be submitted in sealed envelopes, and both mailed and hand-carried bids will be accepted; (vi) all bids will be opened at the same time in public; (vii) contracts will be awarded to the lowest evaluated bidder; (viii) bidders will not be asked, nor allowed, to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the Guidelines; and (ix) in the absence of prequalification, postqualification criteria will be explicitly stated in the bidding documents.

2. International Shopping

Goods estimated to cost the equivalent of \$250,000 or less per contract may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost the equivalent of \$50,000 or less per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Proprietary items may be procured under contracts to be directly negotiated with the suppliers thereof, 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 I 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 set paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of more than \$2,000,000 and each contract for goods estimated to cost the equivalent of more than \$250,000, and the first two contracts to be concluded by any Implementing Agency, 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 the preceding paragraph, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants who shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Administrator, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, the Borrower shall use other standard forms agreed with the Administrator.

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 contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Administrator review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Administrator or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Arrangements

The Borrower shall apply the following Project implementation arrangements, as they may be modified by the agreement of the Borrower and the Administrator in the course of the semi-annual reviews referred to in paragraph B(3) (c) of this Schedule.

A. Project Management

(1) PMO shall have the overall responsibility for Project management. PMO shall perform the following functions with the assistance of a firm of management consultants:

- (a) programming and budgeting for Project activities;
- (b) institution of operation procedures and systems;
- (c) sub-project screening and evaluation;
- (d) use of model contract documents for use by Implementing Agencies;
- (e) payment review and certification;
- (f) implementation monitoring and supervision; and
- (g) project data processing and accounting.

(2) PMO shall be directly responsible, with the assistance of consultants, for: (a) the implementation of large or inter-municipal sub-projects; and (b) the carrying out of bulk procurement of goods required for a multitude of Sub-projects.

(3) Sub-projects shall be:

(a) screened and approved based on their satisfaction of criteria as to their: (i) economic and technical feasibility; (ii) readiness for implementation; (iii) environmental impact; and (iv) consistency with Project objectives and the relevant sectoral strategy; and

(b) rated in terms of priority based on their satisfaction of criteria as to their: (i) economic and social impact; (ii) distributional equity; (iii) requirements in terms of recurrent cost; and (iv) satisfaction of community needs.

B. Project Implementation

(1) Sub-project implementation responsibility shall rest with: (a) the municipalities with respect to water, waste water and sanitation and municipal roads activities, current road construction/maintenance structure; and (b) PMO and the agencies to be designated by the Palestinian Authority with respect to inter-urban road activities.

(2) For preparation and implementation of Sub-projects, the following procedures shall be followed:

(a) Implementing Agencies shall prepare any such project proposals with the assistance of a qualified local engineering or architectural firm selected by such Implementing Agency from a pre-qualified panel of such firms identified by PMO;

(b) upon the approval of a priority Sub-project according to the criteria referred to in paragraph A(3) of this Schedule, the Borrower shall budget for such Sub-project in its Program;

(c) thereafter, the Borrower shall issue an authorization letter to the relevant Implementing Agency indicating: (i) the amount allocated for the Sub-project; (ii) a brief description of the Sub-project; (iii) the proposed implementation methods and duration; and (iv) reporting, financial and other requirements;

(d) responsibility for conclusion of contracts costing not more than \$250,000 equivalent, required for implementation of this Sub-Project shall rest with the Implementing Agency. For contracts exceeding such amount, the approval of PMO shall be required;

(e) payments due under contracts shall be certified by the Implementing Agency, confirmed by PMO and effected through the concerned financial office of the Borrower; and

(f) PMO shall maintain an up-dated record of Sub-projects and of contracts concluded thereunder.

(3) Maintenance of Accounts and Reporting:

The Borrower shall:

(a) ensure the maintenance by Implementing Agencies of records, accounts and underlying documentation related to their activities under the Project;

(b) prepare and furnish to the Administrator quarterly reports on the status of project implementation; and

(c) undertake, jointly with the Administrator, semi-annual reviews of the Project for the purpose of agreeing on such adjustments to the components, or implementation and financing arrangements of the Project as may be required to achieve the objective thereof.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Credit Account and deposited into the Special Account

pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the 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 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 the 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 the 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 the 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; or

(b) 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 amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the 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 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 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 (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 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 the 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 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 Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

