

CONFORMED COPY

TF023907

Trust Fund Grant Agreement

(Emergency Farm Reconstruction Project)

between

UNITED NATIONS INTERIM  
ADMINISTRATION IN KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(Acting as Administrator for the Trust Fund for Kosovo)

Dated July 25, 2000

TF023907

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated as of July 25, 2000, between UNITED NATIONS INTERIM ADMINISTRATION IN KOSOVO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Agency, acting on the recommendation of its Board of Executive Directors, decided on September 30, 1999, to transfer from Bank surplus, by way of grant, \$25,000,000 to a trust fund (the Trust Fund) for Kosovo, Federal Republic of Yugoslavia (Serbia and Montenegro) (Kosovo), established by Resolutions of the Executive Directors of the Bank (Resolution No. 99-7) and the Association (Resolution No. IDA 99-4), to be administered by the Administrator, to be used for financing an emergency reconstruction program in the territory of Kosovo;

(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 in financing of the Project;

(C) in order to assist in the financing of the Project, the Recipient intends to enter into agreements (the Cofinancing Agreements) with other external agencies and

donors, providing the Recipient with the total amount equivalent up to fifteen million Dollars (\$15,000,000); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The General Conditions (the General Conditions) set forth in Schedule 4 to this Agreement constitute an integral part of this Agreement.

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

(a) "FAO" means the Food and Agricultural Organization of the United Nations;

(b) "Project Management Report" or "PMR" means each report prepared in accordance with Section 4.02.(b) of this Agreement; and

(c) "Service Agreement" means the agreement to be entered into between the Recipient and FAO, pursuant to Section 3.02 (a) of this Agreement, as the same agreement may be amended from time to time, and such term includes all schedules supplemental to the Service Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to FAO.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on a grant basis and on the terms and conditions set forth or referred to in this Agreement, a grant in the amount of ten million Dollars (\$10,000,000).

Section 2.02. 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 the reasonable cost of goods, services, works and incremental operating costs required for the Project.

Section 2.03. The Closing Date shall be December 31, 2001, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.04. The Chief of Project Accounting Group, Finance Division, FAO, and any person or persons whom he or she shall designate in writing is designated as representative of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Section 1.06 of the General Conditions.

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 implement the Project through FAO with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, in accordance with this Agreement.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall make the proceeds of the Grant available to FAO under a service agreement (the Service Agreement) to be entered into between the Recipient and FAO, under terms and conditions satisfactory to the Administrator, which shall include provisions regarding FAO Project implementation responsibility and related compensation and other payments to FAO, FAO financial and reporting requirements, and Project auditing requirements.

(b) The Recipient shall exercise its rights under the Service 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 Service Agreement or any provision thereof.

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

Section 3.04. For the purposes of Section 1.23 of the General Conditions and without limitation thereto, the Recipient shall:

(a) (i) 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;

(ii) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about February 28, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (i) of this paragraph, 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

(iii) review with the Administrator, by March 31, 2001, or such later date as the Administrator shall request, the report referred to in subparagraph (ii) 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.

(b) (i) 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

(ii) 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 ensure that FAO maintains a financial management system, including records and accounts, and prepares financial statements, all in accordance with accounting standards acceptable to the Administrator, consistently applied, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall ensure that FAO:

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

(ii) as soon as available, but in any case not later than six (6) months after the end of each such year, has (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 furnished to the Administrator; and

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

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall ensure that:

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

(ii) 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 are retained;

(iii) the Administrator's representatives are able to examine such records; and

(iv) 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall not later than September 30, 2000, or such later date as the Administrator shall agree, 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 (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; 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 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 Section 1.15 (c) of the General Conditions, the following additional events are specified:

(a) the Service Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FAO to perform any of the obligations under this Agreement;

(b) FAO shall have failed to perform any of its material obligations under the Service Agreement;

(c) the Cofinancing Agreements shall have failed to become effective by December 31, 2000, or such later date as the Administrator may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that: (i) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; or (ii) that Project activities may be adjusted without materially affecting the accomplishment of the objectives of the Project; and

(d) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient under the Cofinancing Agreements to withdraw the proceeds of any grant made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Cofinancing Agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Cofinancing Agreements; and adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement; or (B) that Project activities may be adjusted without materially affecting the accomplishment of the objectives of the Project.

## ARTICLE VI

### Effectiveness; Termination

Section 6.01. This Agreement shall not become effective until evidence satisfactory to the Administrator shall have been furnished to the Administrator that FAO and the Recipient shall have entered into the Service Agreement.

Section 6.02. (a) Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date on which the Administrator dispatches to the Recipient notice of the Administrator's acceptance of the evidence furnished to the Administrator pursuant to Section 6.01 of this Agreement.

(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 shall have ceased to exist.

Section 6.03. If this Agreement shall not have entered into effect within ninety (90) days after the date of this Agreement, the 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.

## ARTICLE VII

### Representative of the Recipient; Addresses

Section 7.01. Other than for the purposes of Section 2.04 of this Agreement, the Special Representative of the Secretary-General of the United Nations for Kosovo is designated as representative of the Recipient for the purposes of any modification or amplification of the provisions of this Agreement referred to in Section 1.28 of the General Conditions, and the Deputy Special Representative of the Secretary-General, Head of UNMIK Pillar II, Civil Administration is designated as representative of the Recipient for any other actions referred to in Section 1.28 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 1.25 of the General Conditions:

For the Recipient:

UNMIK Pristina  
c/o UN Liaison Office in Skopje  
M.H. Jasmin BB  
ZGRABA NA NIP NOVA  
Macedonia  
9100 Skopje  
Former Yugoslav Republic of Macedonia

Facsimile:

21 963-8113  
21 963-8603

For the Administrator:

International Development Association

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

UNITED NATIONS INTERIM ADMINISTRATION IN KOSOVO

By /s/ Bernard Kouchner

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christiaan J. Poortman

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 Grant, the allocations of the amount of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods, including technical services and local transport	6,000,000	100%
(2) Consultants' services, including training	1,400,000	100%
(3) Incremental operating costs	1,300,000	100%
(4) Works	100,000	100%
(5) Unallocated	1,200,000	
TOTAL	10,000,000	

2. 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.

3. For the purposes of this Schedule:

(a) the term "Incremental operating costs" means reasonable incremental expenses incurred by FAO on behalf of the Recipient under the Service Agreement in connection with Project management and implementation, including the cost of: (i) FAO consultants' services related to the project management; (ii) office and vehicles operating costs; (iii) communications; (iv) dissemination of information; (v) FAO headquarters staff support costs; (vi) auditing services; and (vii) other ordinary, reasonable and necessary activities directly related to Project implementation, management and monitoring, and possible termination;

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

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) contracts for goods, including technical services, costing less than \$200,000 equivalent; (b) contracts for consulting firms costing less than \$100,000 equivalent; (c) consultants' contracts for individuals costing less than \$50,000 equivalent; (d) contracts for all incremental operating costs, training costs and contracts for works, 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 assist the Recipient to re-establish agricultural production in Kosovo, and re-launch of the rural economy in Kosovo, and, consequently, to stimulate growth in on-farm employment, increase rural incomes, reduce dependency on food aid and improve the food security of rural households.

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: Re-stocking of the Cattle Herd

Purchasing of cattle for distribution, on a grant basis, to families in selected municipalities in Kosovo, in accordance with eligibility criteria satisfactory to the Administrator, and the provision of after-delivery care for such cattle, through the financing of goods and services.

#### Part B: Rehabilitation of Veterinary Services

Provision of veterinary equipment and drugs to private veterinarians in Kosovo, through the rehabilitation and equipping of one central diagnostic laboratory and three regional public animal health centers, through the financing of goods, works and services.

#### Part C: Farm Machinery Repair and Replacement

Repair of damaged farm machinery and distribution of new farm machinery, on a grant basis, to beneficiaries in Kosovo, in accordance with eligibility criteria satisfactory to the Association, in selected municipalities in Kosovo, through the financing of goods and services.



Part D: Institution Capacity Building

Institutional strengthening and refurbishing of the Recipient's Department of Agriculture through the financing of goods, works and services.

Part E: Project Management

Assistance in the management and implementation of the Project, monitoring and compliance verification through the financing of incremental operating costs, including external auditing services.

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The Project is expected to be completed by June 30, 2001.

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 and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

Except as otherwise 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.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods, which the Bank agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Technical services estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$550,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Technical services estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000, may be procured under contracts awarded on the basis of national shopping provisions of paragraphs 3.5 and 3.6 of the Guidelines.

#### 4. Direct Contracting

Technical services which are urgently needed to respond to emergency situations will be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

#### 5. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under lump-sum, fixed-price or unit rates contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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

##### 2. Prior Review

With respect to all contracts for Part B and Part C.1 of this Section, 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

##### 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 Administrator in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

##### Part B: Quality and Cost-based Selection

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

##### Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for management of farm machinery repairs shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Services for project management, support in cattle distribution and follow-up with machinery delivery may, with the Bank's prior agreement be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Agricultural advisory services and other tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may 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 Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$200,000 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 consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) 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 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

General Conditions

#### Section 1.01. 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 1.02. Definitions

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

(a) "Administrator" means the International Development Association, acting as administrator of the Trust Fund.

(b) "Grant" means the grant provided for in this Agreement.

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

(d) "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.

(e) "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.

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

(g) "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.

#### Section 1.03. 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 1.04. 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 1.05. 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 1.06. 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 Association 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 1.07. 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 1.08. 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 1.06 of the General Conditions, the Recipient, or the person designated under Section 2.04 of this Agreement, 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 1.09. 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 1.10. 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 1.11. 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 1.12. 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 1.13. 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 1.14. 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 1.15. 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 obligation under this Agreement.
- (b) 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 will be able to perform its obligations under this Agreement.
- (c) 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 1.16. 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 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 1.17. 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 1.07 of the General Conditions except as expressly provided in such commitment.

Section 1.18. 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 1.19. Cooperation and Information

(a) 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:

(i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Project, the purposes of the Grant, and the performance of their respective obligations under this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

Section 1.20. 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 1.21. 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 1.22. 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 1.23. 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, works or 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, works and services financed out of such proceeds.

(b) Upon the award of any contract for goods, works 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 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 1.24. 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 1.25. 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 1.26. 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 1.27. 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 1.28. 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 1.29. Settlement of Disputes

Any dispute arising out of, or relating to, this Agreement, which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

#### Section 1.30. Execution in Counterparts

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





