

CONFORMED COPY

TRUST FUND FOR EAST TIMOR
GRANT NUMBER TF-023834

Trust Fund for East Timor
Grant Agreement

(Emergency School Readiness Project)

between

UNITED NATIONS TRANSITIONAL ADMINISTRATION
IN EAST TIMOR

and

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

Dated June 21, 2000

TRUST FUND FOR EAST TIMOR
GRANT NUMBER TF-023834

TRUST FUND FOR EAST TIMOR GRANT AGREEMENT

AGREEMENT, dated June 21, 2000, between the UNITED NATIONS TRANSITIONAL ADMINISTRATION IN EAST TIMOR (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Trustee) acting as trustee of the Trust Fund for East Timor.

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

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

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the TFET for funding the Project, which, together with additional inputs related to Part A.1 of the Project and expected to be provided

pursuant to a Memorandum of Understanding between the Recipient and UNICEF will enable the Recipient to realize the objectives of its emergency school readiness program; and

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

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 The "General Conditions Applicable to the Trust Fund for East Timor Grant Agreements" of the International Development Association, dated May 15, 2000, (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Interim Education Authority" means the authority to be established within the Recipient's Governance and Public Administration pillar, to advise the Recipient in educational policies, programs and services until such functions are incorporated into a department responsible for education to be established within the Recipient's transitional administration;

(b) "Participation Agreement" means the agreement to be entered into between the Project Manager and the school principal or the District Education Officer of the District where the school is located or such other person as shall be agreed with the Trustee, for purposes of Part A.1 of the Project;

(c) "Project Management Unit" and "PMU" mean the unit responsible for the implementation of the Project, including the implementation of the financial management and procurement action plans, and mean the Project implementation entity for purposes of sub-sections (g), (h), (i) and (j) of Section 6.02 of the General Conditions;

(d) "Project Operations Manual" means the Project Operations Manual to assist the Project Management Unit in the implementation of Parts A, B, C and D of the Project through the description of, inter alia, procurement procedures and standard documentation, model Participation Agreement, reporting requirements, the Project Performance Indicators, environmental criteria applicable to designs, and criteria for the selection of schools, as such Project Operations Manual may be amended from time to time with the agreement of the Trustee;

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

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

(g) "Sub-grant" means a grant made available by the Recipient out of the proceeds of the Grant for a Sub-project under Part A.1 of the Project; and

(h) "Sub-project" means a specific school rehabilitation project carried out under Part A.1 of the Project and utilizing the proceeds of a Sub-Grant.

ARTICLE II

The Grant

Section 2.01. (a) The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount equal to thirteen million nine hundred thousand Dollars (\$13,900,000).

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

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for amounts paid (or, if the Trustee shall so agree, to be paid) by the Recipient on account of a Sub-grant under Part A.1 of the Project to meet the reasonable cost of goods and services required for a Sub-project and in respect of which the withdrawal from the Grant Account is requested; and (ii) for expenditures made (or, if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, acceptable to the Trustee, on terms and conditions satisfactory to the Trustee, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

ARTICLE III

Execution of the Project

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

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

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

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

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

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

ARTICLE IV

Financial Conditions

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

(b) The Recipient shall:

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

(ii) furnish to the Trustee as soon as available, but in any case not later than six months after the end of each such year, the report

of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and

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

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

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

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

(iii) enable the Trustee's representatives to examine such records; and

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

ARTICLE V

Effectiveness, Termination

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

(a) that the Interim Education Authority has been established;

(b) that the Project Management Unit has been established in accordance with paragraph 1 of Schedule 4 to this Agreement;

(c) that an action plan for the financial management of the Project, acceptable to the Trustee, has been adopted; and

(d) that an action plan for procurement under the Project, acceptable to the Trustee, has been adopted.

Section 5.02. If the Grant Agreement shall not have entered into effect ninety (90) days after the date of this Agreement, the Grant Agreement and all obligations of the parties thereunder shall terminate, unless the Trustee, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Trustee shall promptly notify the Recipient of such later date.

ARTICLE VI

Representative of the Recipient; Addresses

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

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

Facsimile:
61-889422198
61-889815157
1212-9632180

For the Trustee:

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

Cable address: Telex: Facsimile:

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

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

UNITED NATIONS TRANSITIONAL ADMINISTRATION
IN EAST TIMOR

By /s/ Sergio Vieira de Mello
Authorized Representative

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

By /s/ Jemal-ud-din Kassum
Authorized Representative

IN THE PRESENCE OF:

By /s/ Xanana Gusmão
Member, National Consultative Council of East Timor

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Civil works	1,200,000	100%
(2) Goods (including transportation)	9,200,000	100%

(3) Sub-grants	1,500,000	100% of Sub-grant amount
(4) Annual Project auditing costs	60,000	100%
(5) Consultants' services and studies	1,940,000	100%
TOTAL	13,900,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$100,000, may be made in respect of Categories (1) and (5) on account of payments made for expenditures before that date but after June 15, 2000, and (b) payments made for expenditures in respect of Categories (1) and (3) unless the Recipient has issued the Project Operations Manual, acceptable to the Trustee.

3. The Trustee may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) civil works costing less than \$250,000 equivalent per contract; (b) goods (except books) costing less than \$100,000 equivalent per contract, and books costing less than \$300,000 equivalent per contract; (c) Sub-grants; and (d) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all under such terms and conditions as the Trustee shall specify by notice to the Recipient.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in providing school age children and youth with opportunities for education at a basic operational level, that is, having safe school buildings with basic furniture, blackboards and books, and operating with teachers and principals having at least a minimal level of training.

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

Part A: Rebuilding of School Physical Infrastructure

1. Carrying out of school rehabilitation, including essential repairs on damaged school buildings, through the provision of Sub-grants and materials to schools.
2. Provision to schools of basic operational furniture, including student and teacher desks and chairs, office furniture and blackboards.
3. Construction of about four prototype schools, including about two resources schools in sub-districts and about two three-classroom community schools, and provision of prototype furniture.

Part B: Provision of Teaching-Learning Materials

Acquisition and distribution to primary and secondary schools of student materials and teachers' guides.

Part C: Social Mobilization and Communications

1. Identification of audiences and communication media.
2. Production of communications materials, carrying out of communications activities, including meetings and campaigns, and carrying out of evaluation activities.

Part D: Support for Policy Development

1. Development and carrying out of school mapping.
2. Carrying out of workshops, study tours and preliminary studies related to policy development in education.

Part E: Management and Implementation Support

Strengthening the PMU through provision of technical assistance.

* * * * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

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

Part B: Procurement Procedures

1. Limited International Bidding

Works estimated to cost \$250,000 equivalent or more per contract shall be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Except as provided in paragraphs 3 and 4 of this Part, goods shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

School books and teacher guides which are of a proprietary nature and costing \$3,200,000 equivalent or less in the aggregate, may, with the Trustee's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Community Participation

Labor required for Part A.1 of the Project may be procured from among laborers in the vicinity of the school, in accordance with procedures acceptable to the Trustee, which procedures shall include that labor shall be selected by the school principal or the District Education Officer of the District where the school is located or such other person as shall be agreed with the Trustee. The selection of such local labor shall be made in consultation with relevant community groups.

6. Procurement of Small Works

Works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3)

qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Trustee, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: Review by the Trustee of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract for 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.

(b) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more and the first two contracts for goods estimated to cost less than \$100,000 and awarded on the basis of shopping procedures, and each contract for goods estimated to cost the equivalent of \$300,000 or more and awarded on the basis of direct contracting, the following procedures shall apply:

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Trustee 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: Procedures for the Selection of Consultants

1. Single Source Selection

Services for school mapping activities under Part D of the Project, and Project Management and Implementation Support under Part E of the Project, which are estimated to cost less than \$500,000 equivalent per contract, may, with the Trustee's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for communication technical assistance under Part C of the Project, policy studies and workshops under Part D of the Project, and technical assistance for

Project management and implementation, including Project management capacity building, under Part E of the Project, that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C Review by the Trustee of the Selection of Consultants

1. Selection Planning

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

2. Prior Review

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

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

3. Post Review

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

SCHEDULE 4

Implementation Program

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

(a) a Project Director, who shall also be a member of the Interim Education Authority;

(b) a Project Manager;

(c) an Education Management Sub-unit, including procurement staff for other than construction materials procurement;

(d) a Financial Management Sub-unit;

(e) a Project Monitoring Sub-Unit; and

(f) a Construction Management Sub-unit, including procurement staff for construction materials procurement.

2. In carrying out Part A.1 of the Project the Recipient shall ensure that:

(a) prior to the carrying out of works under a Sub-project, a Participation Agreement, acceptable to the Trustee, has been entered into between the Project Manager and the school principal or the District Education Officer of the District where the school is located or such other person as shall be agreed with the Trustee, and an implementation plan for the Sub-project has been prepared in accordance with the provisions of the Project Operations Manual;

(b) a Sub-grant for a Sub-project shall be in an amount to be financed out of the proceeds of the Grant which shall not exceed the sum of \$10,000 equivalent, when added to any other amounts financed or proposed to be financed out of the proceeds of

the Grant, the foregoing amount being subject to change from time to time as determined by the Trustee, in consultation with the Recipient; and

(c) a Sub-grant shall be used to finance expenditures for the acquisition of labor and materials for the rehabilitation of school buildings.

3. In carrying out Part A.3 of the Project, the Recipient shall take all measures to avoid the acquisition of land or assets of urban or rural dwellers and to avoid the displacement of said dwellers.

4. The Recipient shall:

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

(b) prepare, under terms of reference satisfactory to the Trustee, and furnish to the Trustee, on or about December 15, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Trustee, by January 15, 2001, or such later date as the Trustee shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Trustee's views on the matter.

SCHEDULE 5

Project Performance Indicators

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Trustee requests for deposits into the Special

Account at such intervals as the Trustee shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Trustee shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Trustee from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Trustee shall not be required to make further deposits into the Special Account:

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

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

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

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

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Trustee shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Trustee made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for

cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

