

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 024121-CHA

Global Environment Facility
Trust Fund Grant Agreement

(Second Beijing Environment Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated October 10, 2000

GEF TRUST FUND GRANT NUMBER TF024121-CHA

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated October 10, 2000, between PEOPLE'S REPUBLIC OF CHINA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) the Recipient has also requested the Bank to provide additional financing towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank, the Bank is agreeing to provide such assistance in an aggregate principal amount equal to three hundred forty-nine million Dollars

(\$349,000,000) (the Loan); and

(E) The Project will be carried out by Beijing with the Recipient's assistance and, as part of such assistance, the Recipient will make available to Beijing the proceeds of the GEF Trust Fund Grant as provided in this Agreement for purposes of carrying out Parts A(2) and A(3) of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank, acting on its own behalf and as an implementing agency of GEF, and Beijing;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, as amended through October 6, 1999, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (2), (3), (4), (6), (8), (9), (10), (15), (16), (17), (19) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;
 - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
 - (v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vii) a new subparagraph is added after subparagraph (p) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."

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) "Affected Persons" means persons who on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Person" means any of the Affected Persons.

(b) "Beijing" means the Beijing Municipality, an administrative sub-division of the Recipient, and any successor thereto.

(c) "Beijing Drainage Company" and "BDC" mean a state-owned enterprise established and operating pursuant to its Charter of 1993 and to Business License No. 1101021302158(1-1), dated June 28, 1999, issued by Beijing Xicheng District Industrial and Commercial Administration Bureau, and any successor thereto.

(d) "BEPB" means the Beijing Environmental Protection Bureau which is responsible for, inter alia, environmental management in Beijing.

(e) "Boiler Conversion" means a proposal under Part A(1) of the Project by an Enduser to replace its coal-fired boiler or boilers with a gas-fired boiler or boilers.

(f) "Boiler Sale and Purchase Contract" means the agreement referred to in Section II, paragraph 7(a) of Schedule 3 to the Project Agreement, to be entered into between SJET and an Enduser, as said agreement may be amended from time to time.

(g) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(h) "Company Law" means the Borrower's Company Law, promulgated on December 29, 1993 and made effective on July 1, 1994.

(i) "Enduser" means an entity or individual that owns one or more coal-fired boilers and applies to SJET for a Boiler Conversion.

(j) "Environmental Assessment" means the Second Beijing Environment Project Environmental Assessment dated April 2000, which includes an environmental assessment of the implementation of Parts A(1) and B of the Project, environmental mitigation measures and the administrative and monitoring arrangements to ensure the implementation of such measures.

(k) "Gas Boiler" means a gas-fired boiler and associated equipment essential for the operation and maintenance of such boiler.

(l) "Heating Energy Conservation Center" and "HECC" mean the Heating Energy Conservation Center established and maintained pursuant to paragraph 6 of Schedule 2 to the Project Agreement, and any successor thereto.

(m) "IDP" means the Institutional Development Plan of Beijing Drainage Company dated November 1999, which sets out a broad framework for improving the management of BDC and restructuring BDC as an autonomous enterprise.

(n) "Operations Manual" means a manual, satisfactory to the Bank, to be developed by SJET pursuant to Section II, paragraph 6(a) of Schedule 3 to the Project Agreement, as such manual may be revised from time to time with the prior approval of the Bank.

(o) "Project Agreement" means the agreement between the Bank, acting on its own behalf and as an implementing agency of GEF, and Beijing of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(p) "Renminbi" means the currency of the Borrower.

(q) "Respective Part of the Project" means

(i) for SJET: Parts A(1) and A(2) of the Project; and

(ii) for BDC: Parts B, C and D of the Project.

(r) "Resettlement Action Plan" means the Resettlement Action Plan for Sewerage Component of Second Beijing Environment Project, dated March 29, 2000, which sets out the procedures governing land acquisition, resettlement and compensation for Affected Persons under Part B of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as such Resettlement Action Plan may be revised from time to time in agreement with the Bank.

(s) "SJET" means Shihuan Jietien Energy Technology Company, a limited liability company established and operating pursuant to its Charter of September 7, 1999; and to Business License No. 1101021094879 dated November 17, 1999, issued by Beijing Industrial and Commercial Administration Bureau, and any successor thereto.

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

(u) "Subsidiary Grant Agreement" means the agreement to be entered into between Beijing and SJET pursuant to paragraph 4(b) of Schedule 2 to the Project Agreement, as the same may be amended from time to time, with the agreement of the Bank, and such term includes any schedules to said agreement.

(v) "Subsidiary Loan Agreements" means, collectively, the agreements to be entered into between Beijing and each of SJET and BDC pursuant to paragraph 4(a) of Schedule 2 to the Project Agreement, as the same may be amended from time to time, with the agreement of the Bank, and such term includes any schedules to said agreements; and "Subsidiary Loan Agreement" means either one of the Subsidiary Loan Agreements.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to eighteen million nine hundred thousand Special Drawing Rights (SDR 18,900,000).

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

(b) The Recipient may, for the purposes of Parts A(2) and A(3) of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, 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 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006, or such later date as the Bank shall establish. The Bank 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 without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Beijing to carry out the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of Beijing therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Beijing to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Recipient shall make the proceeds of the GEF Trust Fund Grant available to Beijing on a grant basis, without any deduction of any charge, commission or fee of any kind from the GEF Trust Fund Grant.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts A(2) and A(3) of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Recipient hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by Beijing pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Conditions

Section 4.01. (a) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain, or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a)(i) 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 Bank;
- (ii) furnish to the Bank 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 Bank shall have reasonably requested, including 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; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

- (a) Beijing shall have failed to perform any of its obligations under the Project 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 Beijing will be able to perform its obligations under the Project Agreement.
- (c)
 - (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Recipient to withdraw the proceeds of the Loan 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 Loan Agreement, or
 - (B) the Loan shall have become due and payable prior to the agreed maturity thereof.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under the Loan Agreement; and
 - (B) 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.
- (d) Beijing, SJET or BDC shall have failed to perform any of its obligations under its respective Subsidiary Loan Agreement or Subsidiary Grant Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GEF Grant Agreement within the meaning of Section 12.01(c) of the General Conditions:

- (a) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals

thereunder, except only the effectiveness of the GEF Grant Agreement, have been fulfilled; and

(b) the Subsidiary Grant Agreement has been executed on behalf of the parties thereto.

Section 6.02. The following event is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Grant Agreement between Beijing and SJET has been duly authorized or ratified by Beijing and SJET and is legally binding upon Beijing and SJET in accordance with its terms.

Section 6.03. 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.

Section 6.04. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Ministry of Finance of the Recipient is designated as representative of the Recipient 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 Recipient:

Ministry of Finance
Sanlihe
Beijing
People's Republic of China

Cable address:	Telex:	Facsimile:
FINANMIN Beijing	22486 MFPRC CN	(86-10)-68551125

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(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 in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment
Facility

By /s/ Yukon Huang

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant (Allocated Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods under Parts A(2) and A(3) of the Project	9,400,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 70% of local expenditures for other items procured locally.
(2) Consultants' services and training under Parts A(2) and A(3) of the Project	9,500,000	100%
TOTAL	18,900,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; provided, however, that: (i) expenditures in the currency of the Hong Kong Special Administrative Region of the Recipient for goods or services supplied from said region; and (ii) expenditures in the currency of the Macau Special Administrative Region of the Recipient for goods or services supplied from said region, shall be deemed to be "foreign expenditures"; and

(b) the term "local expenditures" means any expenditures that are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding SDR 1,900,000 for expenditures under Parts A(2) and A(3) of the Project may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after December 31, 1999.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for:

- (a) goods under contracts costing less than \$250,000 equivalent each;
- (b) consultants' services under contracts with firms or individuals, each costing less than \$100,000 equivalent or \$50,000 equivalent respectively; and
- (c) training, regardless of the cost thereof, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Beijing in alleviating air and water pollution through: (a) promotion of natural gas as an alternative to coal as a fuel source for boilers; (b) promotion of energy conservation in district heating systems; (c) building of sewage collection networks and treatment facilities in the Liangshu River and Qing River basins; and (d) strengthening of Beijing's environmental management policies and institutions.

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

Part A: Air Pollution Control

Improving air quality in selected areas in Beijing through:

(1) Boiler conversion

Conversion or replacement of medium-sized coal-fired boilers to or with gas-fired boilers.

(2) Technical capacity and market development

(a) Development of efficient models of gas-fired boiler equipment configurations, installation and maintenance; (b) development of industry capacity for provision of gas-fired boiler assembly, installation and maintenance services; and (c) development of markets for gas-fired boilers, all through the provision of consultants' services, training and equipment.

(3) Heating energy conservation

(a) Establishment of best practice models and standards for energy efficient heat generation, for heat distribution and operation of associated heat supply systems and for promotion of energy conservation by end-users; (b) codification, dissemination and promotion of said models and standards; and (c) strengthening of institutional capacity to carry out foregoing activities, all through the provision of consultants' services, training and equipment.

(4) Air quality monitoring and management

(a) Enhancement of institutional capacity to monitor and evaluate air quality through upgrading and expansion of monitoring stations and analytical equipment; and (b) improvement of institutional capacity to manage air quality through provision of consultants services, training and equipment.

Part B: Wastewater Management

Improving water quality through:

(1) Liangshui River Basin

Construction of three secondary wastewater treatment facilities and associated sewage collection networks, including about 48 kilometers of interceptor sewers in the Liangshui River Basin.

(2) Qing River Basin

Construction of a sewage collection network, including about 26 kilometers of interceptor sewers and siphons, in the Qing River Basin.

Part C: Institutional Strengthening

Developing and strengthening institutional wastewater management capability and capacity to operate on an autonomous basis, through provision of consultants services, training and equipment.

Part D: Resettlement

Resettlement and rehabilitation of Affected Persons in connection with the carrying out of Part B of the Project.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 Parts A(2) and A(3) of the Project and to be financed out of the proceeds of the GEF Trust Fund 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 \$2,000,000, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,300,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to the eligible Categories for said Special Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A(2) and A(3) of the Project shall be equal to or exceed the equivalent of SDR 7,500,000.

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

3. After the Bank 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 Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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 Bank from the GEF Trust Fund Grant Account under the 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund 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 Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Bank 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 GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of any 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 Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount

of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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

