

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF052482-AF

Afghanistan Reconstruction Trust Fund Grant Agreement

(Kabul City Roads and Water Drainage Systems Project)

between

TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Afghanistan Reconstruction Trust Fund)**

Dated November 8, 2003

GRANT NUMBER TF052482-AF

ARTF GRANT AGREEMENT

AGREEMENT, dated November 8, 2003, between the TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN (the "Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the Association in such capacity, the "Administrator") of grant funds (the "Grant Funds") contributed by various donors (collectively the "Donors") to the Afghanistan Reconstruction Trust Fund ("ARTF").

WHEREAS (A) the Donors have agreed to provide the Grant Funds to the Recipient in support of its reconstruction program;

(B) the Donors have requested the Administrator, and the Administrator has agreed, to administer the Grant Funds;

(C) the Administrator has established ARTF for purposes of receiving and administering the Grant Funds;

(D) the Grant Funds shall finance, among other things, such investment and/or sector programs and activities as shall from time to time be recommended by the Recipient and approved by the Management Committee of ARTF;

(E) 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 the financing of the Project and the Administrator has agreed to provide financing in accordance with the terms and conditions set forth in this Agreement (such financing, the "Grant");

(F) the Project shall, at the request of Recipient, be carried out by the Kabul Municipality with management assistance from Kreditanstalt Für Wiederaufbau ("KfW"), a development bank incorporated under the laws of Germany, with the Recipient's cooperation and assistance; and

(G) as part of such assistance, the Recipient will make available to KfW Grant proceeds received from the Administrator, and to this end, the Recipient and KfW shall execute a Management Agreement pursuant to which KfW shall provide management and implementation assistance in carrying out the Project;

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 Development Credit Agreements of the Administrator, 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) Article II;
- (iii) Section 3.01;
- (iv) Sections 4.01, 4.04, 4.02, 4.05 and 4.06 (a);
- (v) Article V;
- (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
- (vii) Article VIII;
- (viii) Article IX;
- (ix) Article X; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (ii) the term "Credit" or "credit", wherever used in the General Conditions, means the Grant;
- (iii) the term "Credit Account", wherever used in the General conditions, means the Grant Account; and
- (iv) the term "Development Credit Agreement", wherever used in the General Conditions, means this Grant Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the preamble to this Agreement shall have the

respective meanings therein set forth; and the following additional terms have the following meanings:

(a) "Management Agreement" means the Agreement on Management of Implementation between Afghanistan and KfW relating to KfW's management and implementation assistance for the Project;

(b) "Effective Date" means on which this Agreement shall become effective in accordance with Section 9.01 of this Agreement;

(c) "Financial Monitoring Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(d) "Kabul Municipality" means the Kabul Municipality established and operating under the laws of Recipient;

(e) "Project Accounts" means the accounts referred to in Section 2.02 (v) of this Agreement;

(f) "Project Implementation Plan" means the Project Implementation Plan" referred to in Part A. 1 (c) of Schedule 4 to this Agreement; and

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

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to three million United States Dollars (US\$3,000,000).

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 for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the central bank, Da Afghanistan Bank, on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Recipient shall cause KfW to open and maintain separate Project Accounts in Dollars and local currency at the Da Afghanistan Bank on terms and conditions satisfactory to the Administrator for receipts and disbursements to implement the Project.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.04. Disbursement from the proceeds of the Grant (including deposits into the Special Account) shall be made only to the extent that, in the opinion of the Administrator, adequate resources to meet such disbursement have been transferred from the Donors to ARTF.

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 with due diligence and efficiency and in conformity with the Project Implementation Plan and appropriate administrative, financial, engineering and environmental 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 Administrator shall otherwise agree, the Recipient shall ensure that Kabul Municipality carries out, and KfW manages, the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods and works 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 9.06 (c) of the General Conditions and without limitation thereto, the Recipient shall, with KfW's assistance and cooperation:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan designed to ensure the continued achievement of the Project's objectives; and

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) With the assistance of KfW and its consultants, Recipient shall establish and maintain a financial management system including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards, acceptable to the Administrator, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall, with the assistance of KfW and its consultants:

- (i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Grant Account is made, have the financial statements referred to in paragraph (a) of this Section for each fiscal year, or other period agreed to by the Administrator, audited in accordance with consistently applied auditing standards acceptable to the Administrator, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year or such other period agreed to by the Administrator, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year, or such other period agreed to by the Administrator, as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Administrator; and
- (iii) furnish to the Administrator such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Administrator may 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) retain, or cause KfW and its consultants to retain, until at least one year after the Administrator has received the audit report for, or covering, 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;
- (ii) enable, or cause KfW and its consultants to enable, the Administrator's representatives to examine such records; and
- (iii) ensure that such statements of expenditures are included in the audit for each fiscal year or other period agreed to by the Administrator, referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Part B.1 (b) of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Administrator a financial monitoring report, in form and substance satisfactory to the Administrator, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned Project implementation;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first financial monitoring report shall be furnished to the Administrator not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of each such first calendar quarter; thereafter, each financial monitoring report shall be furnished to the Administrator not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date and Termination

Section 5.01. This Grant Agreement will be effective only after the Administrator dispatches a notice to this effect, upon its receiving:

- (i) evidence of execution and delivery of the Management Agreement, in form and substance satisfactory to the Administrator, on behalf of the Recipient and KfW; and
- (ii) a legal opinion, satisfactory to the Administrator provided by counsel acceptable to the Administrator, declaring that the Management Agreement has been duly authorized or ratified by all necessary governmental and corporate action on behalf of the Recipient.

Section 5.02. This Agreement shall continue in effect until the parties to this Agreement have fulfilled all their obligations hereunder.

Section 5.03. Upon effectiveness of this Grant Agreement, the Administrator shall be allowed to disclose this Grant Agreement and information regarding the Grant in accordance with the International Development Association's policy on disclosure of information.

Section 5.04. The rights and obligations of the Recipient and the Administrator under this Grant Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary.

ARTICLE VI

Representatives of the Recipient; Addresses

Section 6.01. The Minister of Finance, Government of Afghanistan, shall be the 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 Afghanistan:

Minister of Finance
Government of Afghanistan
Kabul
Transitional Islamic State of Afghanistan

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

Cable address:	Telex:	Facsimile
INDEVAS	MCI 24823 MCI 64145	(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 Kabul, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Recipient Reconstruction Trust Fund)

By /s/ Praful Patel

Authorized Representative

TRANSITIONAL STATE OF AFGHANISTAN

By /s/ Ashraf Ghani

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 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:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in U.S. Dollars Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	2,360,000	100%
(2) Project Implementation and Administrative Costs	200,000	100%
(3) Consultants Services	50,000	100%
(4) Management Fee	90,000	100%
(5) Unallocated	300,000	
TOTAL	<u>3,000,000</u> =====	

2. For the purposes of this Schedule:

(a) the term "Management Fee" means the fee payable by the Recipient to KfW for its management assistance to Kabul Municipality in carrying out the Project; and

(b) the term "Project Implementation and Administrative Costs" means expenditures incurred by KfW and its consultants for vehicle operating and repair costs, including spare parts, and lubricants; local transport of materials, staff and labor; and local staff wages in rendering management and implementation assistance for the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, provided that withdrawals, in an aggregate amount not exceeding the equivalent of U.S. \$600,000 may be made in respect of Categories (1) and (2) on account of payments made for the expenditures before that date but after July 31, 2003.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$100,000 equivalent; (ii) Management Fee; and (iv) audits, 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 contribute to the economic recovery of Kabul City through the carrying out of improvements of the transport services on important roads within Kabul City, including the rehabilitation of high priority road sections, as well as the repair of drainage systems along the said roads.

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

Part A: Repair of City Roads

The repair and consolidation, using labor intensive methods, of the asphalt on roads in Kabul City in combination with surface dressing as a maintenance activity, where necessary, including: (i) the acquisition of construction materials and machines, spare parts, tools, accessories and consumables, such as fuel and lubricants; and (ii) production of about 40,000 tons of additional asphalt.

Part B: Repair of Storm Water Drainage

The carrying out of small repairs of existing storm water drainage systems in Kabul City.

Part C: Project Management

Management and implementation services required for Kabul Municipality to carry out the Project.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with: (a) 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 (b) the provisions of Section I of this Schedule.

Part B: International or National Shopping

1. Equipment (including installation, spare parts and freight), tools, accessories, consumables, materials, and local transportation may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Administrator 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 Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to each contract for goods estimated to cost the equivalent of \$100,000 or more.

(b) With respect to the first contract for goods, irrespective of value, awarded under shopping procedures, the following procedures shall apply:

- (i) prior to requesting quotations for goods under shopping procedures, the Recipient shall cause KfW to furnish to the Administrator, for its review, draft documents requesting such quotations;

- (ii) prior to the execution of any contract under shopping procedures, the Recipient shall cause KfW to provide to the Administrator a report on the comparison and evaluation of quotations received; 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 Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of this Section.

Part B: Quality- and Cost-based Selection

1. 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, 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. Single Source Selection

Services for management assistance to the Recipient and Kabul Municipality under the Project estimated to cost \$90,000 equivalent in the aggregate, may, with Bank's prior agreement, be procured under contracts awarded through single source selection accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Auditing services for the Project estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six months during the execution of the Project, and each such updated plan shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

With respect to each contract procured through single source selection under paragraph 1 of Part C, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant 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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

A. General

1. (a) The Recipient shall ensure that Kabul Municipality carries out the Project with the management assistance of KfW in accordance with the Management Agreement. In particular, the Management Agreement shall provide, among other things and without prejudice to the provisions of this Agreement, that KfW shall assist Kabul Municipality with:

- (i) procurement processes and procedures under the Project;
- (ii) coordinating the preparation and submission of various reports regarding Project implementation;
- (iii) financial management and disbursement arrangements, including the accounting and auditing obligations under Article IV of this Agreement; and
- (iv) carrying out monitoring and supervision of the Project.

(b) The Management Agreement shall not be amended without the Administrator's prior written consent.

(c) The Recipient shall cause Kabul Municipality and KfW to maintain a Project Implementation Plan in form and substance satisfactory to the Administrator. The Project Implementation Plan shall set out details of all procedures, guidelines, timetables and criteria required for the Project, including the financial, administrative and operational arrangements relating to the carrying out of the Project.

(d) The Recipient shall ensure that Kabul Municipality carries out, and KfW manages, the Project, in accordance with the Project Implementation Plan and, except as the Administrator shall otherwise agree, the Recipient shall not, and shall ensure that Kabul Municipality or KfW do not, amend or waive any provision of the Project Implementation Plan if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

(e) The Recipient shall ensure that the Kabul Municipality employs an independent auditor acceptable to the Administrator, on terms and conditions satisfactory to the Administrator, by no later than March 1, 2004 to audit all expenditures under the Project.

B. Reports and Reviews

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators agreed with the Administrator, the carrying out of the Project and the achievement of the objectives thereof; and

(b) cause KfW to prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator on a monthly basis, commencing January 1, 2004, a report on the progress achieved in the carrying out of the Project and the achievement of the objectives thereof.

C. Project Implementation

1. The Recipient shall maintain the Kabul Municipality and its construction department in a form and with functions, membership, staffing and resources satisfactory to the Administrator.

2. Without limitation or restriction on its obligations under Section 3.01 of this Agreement in respect of the Project, the Recipient undertakes to cause KfW to:

(a) identify the road works, locate the Project sites, prioritize the works and develop a working plan, which shall cover a period of at least three (3) months' Project work in cooperation with the Kabul Municipality; and

(b) monitor Project implementation, enter into contracts with consultants, submit reports to the Administrator and Donors, agree on a procurement plan with the Administrator, and monitor procurement; and

(c) provide the Administrator's officials, staff, and consultants with access to project sites and all necessary support and assistance to review status of and supervise the works.

3. (a) The Recipient agrees that the Administrator may from time to time inspect the goods, works and services required for the Project, including all records and documents relating thereto;

(b) The Recipient shall, from time to time, at the request of the Administrator exchange views with the Administrator with regard to the progress made in the carrying out the Project, the performance of its obligations in respect of the Project and any matters relating to achievement of the objectives of the Project; and

(c) The Recipient shall promptly inform the Administrator of any condition which interferes or threatens to interfere with the progress of the Project or the accomplishment of the purposes of the Grant.

4. In carrying out the Project activities, the Recipient shall ensure full compliance with the Afghanistan Environment and Social Framework agreed between the Recipient and the Administrator, governing implementation of grants financed from the proceeds of the Afghanistan Reconstruction Trust fund. This Framework sets out, among other things, (i) key policy principles for social and environmental management; (ii) measures to guide the screening of activities for significant social and environmental impacts, and to assist in the mitigation of such impacts; (iii) procedures to ensure that these principles and measures are appropriately applied; and (iv) guidelines for capacity building and monitoring, as the same may be amended from time to time with the agreement of the Administrator and Recipient.

5. The Recipient shall take all necessary and appropriate action under applicable law, including providing any exemptions to ensure that the proceeds of the Grant are not withdrawn, utilized or made available for the payment of any taxes, levies, fees or other surcharges collected or levied by any governmental and provincial entity.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works 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 \$300,000 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 Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator 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 Administrator 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.
 - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the 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 Administrator 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 Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the 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 Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator 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 Administrator 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 Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may

request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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