

CONFORMED COPY

TF 026056

Trust Fund Credit Agreement

(Water and Sanitation Services Project in Gaza)

between

PALESTINE LIBERATION ORGANIZATION (for the Benefit of the Palestinian Executive Authority)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 1996

TF 026056

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated July 5, 1996, between PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Executive Authority) (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator (the Administrator) of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3, of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the Trust Fund).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Association has resolved, on October 12, 1995, to, inter alia, replenish the Trust Fund in the amount of ninety million dollars (\$90,000,000), such amount to be transferred from the net income of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in the Gaza Strip (Gaza) and the West Bank (the West Bank);

(B) under the Agreement on the Gaza Strip and the Jericho Area between the Palestine Liberation Organization and the Government of the State of Israel, dated May 4, 1994 (the Cairo Agreement), the parties thereto agreed to the establishment by the Palestine Liberation Organization of a Palestinian Authority (the Palestinian Authority) to perform the powers and functions provided for in the Cairo Agreement;

(C) the Palestine Liberation Organization and the Government of the State of

Israel have entered, on September 28, 1995, into an agreement which, inter alia, sets out certain interim self-government arrangements in Gaza and the West Bank (the Interim Agreement);

(D) the Interim Agreement restates certain provisions of the Cairo Agreement, including those pertaining to the respective powers of the Palestine Liberation Organization and the Palestinian Authority in the sphere of foreign relations and, in so doing, supersedes the Cairo Agreement, as well as the Agreement on Preparatory Transfer of Powers and Responsibilities, dated August 29, 1994, and the Protocol on Further Transfer of Powers and Responsibilities, dated August 27, 1995, both entered into between the Palestine Liberation Organization and the Government of the State of Israel;

(E) Section 1 of Article II of the Interim Agreement envisages the election in Gaza and the West Bank of a council with legislative and executive authorities which shall, upon inauguration thereof, assume all the powers, responsibilities, rights, liabilities and obligations of the Palestinian Authority (the Palestinian Council);

(F) Section 1 of Article V of the Interim Agreement provides that the executive authority of the Palestinian Council shall be bestowed upon a committee to be formed in accordance with the provisions of Section 4 of the Interim Agreement (the Palestinian Executive Authority or PEA);

(G) Section 5 (b) of Article IX of the Interim Agreement authorizes the Palestinian Liberation Organization to conduct negotiations and, in certain cases described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority, and, upon inauguration of the council referred to in Paragraph (E) above, for the benefit of the PEA;

(H) the Palestinian Authority has requested the Administrator to assist in financing the project described in Schedule 2 to this Agreement (the Project); and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing to extend the Credit to the Palestine Liberation Organization, for the benefit of the PEA, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions" set forth in Schedule 1 to the Trust Fund Credit Agreement between the Administrator and the Palestinian Economic Council for Development and Reconstruction, dated September 7, 1994, relating to the Emergency Rehabilitation Project (TF 026066 GZ), with the following modifications thereto (the General Conditions), constitute an integral part of this Agreement:

The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "PWA" means the Palestinian Water Authority, a public authority established and operating in Gaza and the West Bank pursuant to a Decree of the Chairman of the PEA, dated April 26, 1995, as the same may be amended from time to

time;

(b) "Management Firm" means the management contracting firm referred to under paragraph (c) of this Section;

(c) "Management Contract" means a four-year management contract entered into between the PEA, on the one part, and a reputable private sector management contracting firm, on the other part, in accordance with terms and conditions satisfactory to the Administrator, pursuant to which said firm shall undertake to implement the Service Improvement Program (as this term is hereinafter defined);

(d) "Service Improvement Program" means PWA's service improvement program whose objectives, inter alia, are to improve the management and delivery of water and wastewater services in Gaza, and assist the PEA in restructuring the institutional framework of the water and wastewater sector and strengthening said sector's governance functions;

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

(f) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the PEA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term shall include all schedules to the Subsidiary Agreement.

ARTICLE II

The Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project open and maintain in dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall cause the PEA to pay to the Administrator a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Administrator as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Administrator shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other

eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall cause the PEA to pay to the Administrator a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on February 1 and August 1 in each year.

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

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

Section 2.09. PWA is designated as the sole representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower 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 the PEA to carry out the Project through PWA with due diligence and efficiency and in accordance with the provisions of the Implementation Program set forth in Schedule 4 to this Agreement, as the same may be amended from time to time by mutual agreement of the Borrower and the Administrator.

(b) The Borrower shall make the proceeds of the Credit available to the PEA under a subsidiary agreement to be entered into between the Borrower and the PEA, under terms and conditions which shall have been approved by the Administrator.

(c) The Borrower shall cause the PEA to perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the the PEA therein set forth, shall cause the PEA: (i) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PWA to carry out the Project; and (ii) not to take or permit to be taken any action which would prevent or interfere with its ability to carry out the Project.

(d) The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Administrator and to accomplish the purposes of the Credit, and, except as the Administrator shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

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

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower, through the PEA, shall cause PWA to:

(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 PEA and PWA, a plan for the future operation of the Project;

(b) afford the Administrator a reasonable opportunity to exchange views with

PWA on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency, and in accordance with appropriate practices, taking into account the Administrator's comments thereon.

Section 3.04. The Borrower, through the PEA, shall cause PWA to: (a) retain, until completion of the Project, the Management Firm under the Management Contract; and (b) promptly inform the Administrator of any condition, act, omission or potential dispute which shall interfere, or threaten to interfere, with the performance by either party of its obligations under the Management Contract.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the PEA, shall cause PWA to maintain, in respect of the Project, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of PWA.

(b) The Borrower, through the PEA, shall cause PWA to: (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator; (ii) furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and (iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower, through the PEA, shall cause PWA to: (i) maintain in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures; (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Administrator's representatives 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

Effective Date; Termination

Section 5.01. The following event is specified an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 of the General Conditions, namely, that the Subsidiary Agreement has been executed on behalf of the Borrower and the PEA.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Administrator:

(a) that the Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the PEA and is legally binding upon the Borrower and the PEA in accordance with its terms; and

(b) that the Management Contract has been duly authorized or ratified by, and executed and delivered on behalf of, the PEA and the Management Firm, and is legally binding upon the PEA and the Management Firm in accordance with their terms.

Section 5.03. 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.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the PEA is designated as representative of the Borrower 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 Borrower:

Palestine Liberation Organization
c/o The Palestinian Executive Authority
Gaza City

For the Administrator:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
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 Ramallah as of the day and year first above written.

PALESTINE LIBERATION ORGANIZATION

By /s/ Mohammed Nashishibi

Authorized Representative

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

By /s/ Caio Koch-Weser

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category

and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in U.S. Dollar Equivalent)	% of Eligible Expenditures to be Financed
(1) Civil works	650,000	100%
(2) Goods	11,100,000	100%
(3) Management Firm's fee under Part A of the Project	11,000,000	100%
(4) Consultants' services under Part C of the Project	1,100,000	100%
(5) Incremental Operating Expenditures	350,000	100%
(6) Unallocated	800,000	
TOTAL	25,000,000	

2. For the purposes of this Schedule, the term "Incremental Operating Expenditures" means expenditures incurred under the Management Contract on account of utility charges, fuel, chlorine and labor costs.

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

4. The Administrator may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for goods, works and services under contracts not exceeding \$250,000 equivalent for goods and works, \$100,000 equivalent for services with firms, and \$50,000 equivalent for services with individuals, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the quality, increase the supply and strengthen the management of water and wastewater services in Gaza through the carrying out of the Service Improvement Program.

Part A: Efficiency, Management and Quality of Water and Wastewater Services

Assistance, through the Management Firm, to PWA, municipalities and village councils in Gaza in enhancing the efficiency and upgrading the management and quality of water and wastewater services.

Part B: Water and Wastewater System Rehabilitation

Repair and installation of meters, replacement of pipes, installation of mechanical and electrical plants and carrying out of miscellaneous works and services required to implement the Service Improvement Program.

Part C: Development of Institutional Capacity

Strengthening the institutional capacity of PWA through the provision of expert support in the areas, inter alia, of Project management, accounting, sanitation services, licensing and technical and financial auditing.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Administrator in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

2. Goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B shall be subject to the following provision, namely, that the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in, and works to be carried out by domestic contractors from, the West Bank or Gaza.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$1,000,000 equivalent or less per contract may be procured under contracts awarded on the basis of national competitive bidding in accordance with procedures acceptable to the Administrator. Said procedures shall ensure, inter alia, that: (i) tenders shall be advertised for at least two (2) consecutive days in a local newspaper of wide circulation; (ii) prospective bidders shall be allowed a minimum of thirty (30) days between the date upon which the notification appears in the newspaper for the first time and the date upon which the bid is submitted; (iii) the format of the bidding documents shall be consistent with that of the Administrator's standard bidding documents, or with the format of bidding documents used by United Nations Agencies operating in the West Bank and Gaza; (iv) interested foreign contractors and suppliers shall be allowed to bid; (v) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried; (vi) all bids shall be opened at the same time in public; (vii) contracts shall be awarded to the lowest evaluated bidder; (viii) no bidder shall be requested or permitted to modify his, her or its bid after the bid closing date shall have elapsed; (ix) price negotiations with the lowest evaluated bidder shall be limited to cases provided for under the Guidelines; and (x) postqualification criteria shall, in the absence of a prequalification process, be explicitly stated in the bidding documents.

2. International Shopping

Goods estimated to cost less than \$250,000 equivalent per contract, and not to exceed \$2,000,000 equivalent in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost \$50,000 equivalent or less per contract, and not to exceed \$1,000,000 equivalent in the aggregate, 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.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods and 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.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Administrator in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Administrator, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Administrator; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1 Mid-Term Review

The Borrower, through the PEA, shall cause PWA to:

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

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, not later than August 31, 1998, a report, integrating the results of the monitoring and evaluation activities, performed pursuant to the provisions of paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said mid-term report and setting out the measures recommended to ensure the efficient carrying out of the Project, and the achievement of the objectives thereof, in the course of the twelve (12) months immediately following such date; and

(c) review with the Administrator, not later than September 30, 1998, the report referred to under paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Administrator's views on the matter.

2. Progress Reports

Without prejudice to the provisions of Section 9.06 of the General Conditions and to those of Paragraph 1 of this Schedule, the Borrower, through the PEA, shall cause PWA, not later than February 28, and August 31 of each year until completion of the Project, commencing February 28, 1997, to prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request describing the progress achieved in the implementation of the Project.

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 Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule equivalent to \$2,500,000, provided, however, that unless the Administrator shall otherwise agree the Authorized Allocation shall be limited to an amount equivalent to \$1,700,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$7,000,000.

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Administrator a request or requests for a deposit or deposits 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 Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Borrower 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 Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any 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 aggregate amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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



