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GEF TRUST FUND GRANT NUMBER TF054973

# **Global Environment Facility Trust Fund Grant Agreement**

**(Renewable Energy Resources Project)**

**between**

**REPUBLIC OF CROATIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated July 27, 2005**

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**GEF TRUST FUND GRANT NUMBER TF054973**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated July 27, 2005, between REPUBLIC OF CROATIA (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 (the GEF Trust Fund Grant).

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 continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Project will be carried out by Hrvatska banka za obnovu i razvitak (HBOR) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant available to HBOR, as provided in this Agreement and in the Project Agreement of even date herewith between the Bank and HBOR (Project Agreement) and such term includes all schedules and agreements supplemental to the Project Agreement; 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;

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 for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), 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), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Sections 4.01 and 4.06;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (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) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) 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;
  - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

- (ii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iii) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (iv) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) a new subparagraph is added after subparagraph (o) 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.”
- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”

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) “Beneficiaries” and “Beneficiary” mean collectively the individual energy end users developing or ready to develop renewable energy projects, legally established in the Recipient’s territory and individually the individual energy end user developing or ready to develop renewable energy projects, legally established in the Recipient’s territory, meeting the Eligibility Criteria (hereinafter defined) for assistance under Part B of the Project;

(b) “Contingent Loan Facility” means the revolving fund set forth by HBOR (as defined hereinafter) to provide contingent loans to eligible Beneficiaries for the purposes of carrying out Renewable Energy Sub-projects (as defined hereinafter), under terms and conditions satisfactory to the Bank;

(c) “Contingent Loan Facility Account” means the account to be opened by HBOR (as defined hereinafter) for the purposes of the Contingent Loan Facility, under terms and conditions satisfactory to the Bank;

(d) “EPEEF” means the Environmental Protection and Energy Efficiency Fund established pursuant to the Law on Environmental Protection and Energy Efficiency Fund (Narodne Novine, No.107/03);

(e) “EPEEF-HBOR Project Implementation Agreement” means the agreement to be entered into between the EPEEF and HBOR pursuant to paragraph 2 of Schedule 2 of the Project Agreement;

(f) “Eligibility Criteria” means the criteria adopted by HBOR and EPEEF (hereinafter defined) and included in the PIP (hereinafter defined), for selection of Beneficiaries and Renewable Energy Sub-Project (hereinafter defined) under Part B of the Project;

(g) “Financial Monitoring Report” or FMR means each report prepared in accordance with Section 4.02 of this Agreement.

(h) “HBOR” means Hrvatska banka za obnovu i razvitak (the Croatian Bank for Reconstruction and Development) established pursuant to the Law on the Croatian Bank for Reconstruction and Development (*Narodne Novine*, No. 33/92, 76/93, 108/95 and 8/96);

(i) “HBOR GEF Grant Implementation Agreement” means the agreement to be entered into between the Recipient and HBOR pursuant to Section 3.01 (c) of this Agreement;

(j) “PIP” means the Project Implementation Plan to be adopted by HBOR and EPEEF with respect to implementation of the Project, setting forth rules and regulations for implementation of the Project, as the same may be amended from time to time with the agreement of the Bank;

(k) “PMU” means the Project’s management unit within HBOR referred to in paragraph 1 of Schedule 2 to the Project Agreement;

(l) “Procurement Plan” means the Recipient’s procurement plan, dated May 10, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(m) “Renewable Energy Sub-project” means pre-investment activities in relation to a project for production or electrical and/or thermal energy from renewable energy resources, including, but not limited, to biomass and wind, and which is eligible for financing through a Sub-financing Loan made to the Beneficiary and eligible, in accordance with the Eligibility Criteria, for financing with proceeds of the GEF Trust Fund Grant;

(n) “Renewable Energy Sub-project Contract” means a contract to be entered into between HBOR, EPEEF and a Beneficiary, the content and terms and conditions of which are set forth in the PIP (hereinafter defined), as the same may be

amended from time to time, and such term includes all schedules to any Energy Renewable Sub-project Contract;

(o) “Renewable Energy Sub-financing Loan” or “Loan” means a contingent loan to be provided by HBOR out of the Contingent Loan Facility to Beneficiaries from the proceeds of the GEF Trust Fund Grant for the purposes of carrying out a Renewable Energy Sub-Project under Part B of the Project; and

(p) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

## **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 equal to five million five hundred thousand Dollars (\$5,500,000).

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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of consulting services training and operating costs required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) by HBOR on account of withdrawals made by a Beneficiary under a Loan to meet the reasonable cost of consulting services required for the Renewable Energy Sub-project in respect of which the withdrawal from the Loan Account is requested.

(b) The Recipient may, for the purposes of the Project, (other than Part B.2 of the Project) open and maintain in Dollars a special deposit account in HBOR 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 March 31, 2010 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 HBOR to perform in accordance with the provisions of the Project Agreement all the obligations of HBOR therein set forth, shall take all action, including the provision of funds, facilities, services and other resources, and cause to be taken all action, necessary or appropriate to enable HBOR 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: (i) make the proceeds of the GEF Trust Fund Grant available to HBOR under a HBOR GEF Grant Implementation Agreement to be entered into between the Recipient and HBOR, under terms and conditions which shall have been approved by the Bank; (ii) exercise its rights under the HBOR GEF Grant Implementation Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant , and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the HBOR GEF Grant Implementation Agreement or any provision thereof.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall cause HBOR to carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to the Project Agreement.

(d) The Recipient shall ensure that EPEEF enters into an agreement with HBOR, the EPEEF-HBOR Project Implementation Agreement, under terms acceptable to the Bank.

(e) Upon completion of the Project, the Recipient and the Bank shall decide on the use of the outstanding balance of funds, if any, in the Contingent Loan Facility to be refunded by HBOR to the Recipient. The Bank and the Recipient shall ensure that any such outstanding fund will be used in accordance with the objectives of GEF and for the purposes of protecting the global environment and promoting environmentally sound and sustainable economic development.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of consulting services and training required for Part A 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, as said provisions may be further elaborated in the Procurement Plan. Procurement of consulting services required for the Renewable Energy Sub-project under Part B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of the PIP.

(b) The Recipient shall, together with HBOR, update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. The Bank and the Recipient hereby agree that the obligations set forth in Sections 9.05, 9.06, and 9.07 of the General Conditions (use of services, plans and schedules, records and reports, respectively) shall be carried out by HBOR pursuant to Section 2.03 of the Project Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Recipient shall cause HBOR to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

(b) 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 cause HBOR to:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) The Recipient shall cause HBOR to prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, 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 GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;
- (ii) sets forth the Special Account for the Project, showing the period opening balance, movements during the period and the period closing balance;



- (iii) sets forth the Contingent Loan Fund, showing the period opening balance, movements during the period and the period closing balance;
- (iv) 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
- (v) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 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 such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **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) HBOR shall have failed to perform its obligations under the Project Agreement in a manner that has materially and adversely affected the implementation of the Project and has not remedied such failure for a reasonable period of time; and

(b) The Recipient or HBOR shall have failed to perform any of their respective obligations under the HBOR GEF Grant Implementation Agreement, in a manner that has materially and adversely affected the implementation of the Project and have not remedied this failure for a reasonable period of time.

## **ARTICLE VI**

### **Effectiveness, Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 of the General Conditions:

- (a) The Project Agreement has been executed by the parties thereto;

(b) The Recipient has provided evidence satisfactory to the Bank that the HBOR GEF Grant Implementation Agreement has been executed under terms satisfactory to the Bank; and

(c) The Recipient has provided evidence satisfactory to the Bank that the Project Implementation Plan has been adopted by HBOR and EPEEF under terms satisfactory to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the legal opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly executed by all parties and is legally binding in accordance with its terms; and

(b) that the HBOR GEF Grant Implementation Agreement has been duly executed by the Recipient and is legally binding for the Recipient and HBOR in accordance with their terms.

Section 6.03. The date of ninety days (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 all their obligations hereunder.

## **ARTICLE VII**

### **Representative of the Recipient; Addresses**

Section 7.01. The Minister 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  
Katanciceva 5  
10000 Zagreb  
Republic of Croatia

Facsimile:

(385) 1 492-2598

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

Facsimile:

(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 Zagreb, Republic of Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By /s/ Ivan Suker

Authorized Representative

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

By /s/ Anand Seth

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:

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Consultants' services	3,000,000	100% of foreign expenditures and 75% of local expenditures
(2) Training	200,000	100%
(3) Operating Costs	300,000	100%
(4) Loans under Part B of the Project	<u>2,000,000</u>	50%
TOTAL	<u>5,500,000</u>	

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 services supplied from the territory of any country other than that of the Recipient;

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for services supplied from the territory of the Recipient;

(c) the term "operating costs" means the fee to be paid to HBOR on a quarterly basis pursuant to the annual Project management budget as agreed upon by the Bank and HBOR; and

(d) the term "training" means expenditures incurred to finance the reasonable cost of transportation, accommodation, per diem and interpretation services and cost of training courses and study tours for HBOR and EPEEF staff, selected

governmental and financial institutions and renewable energy businesses, public entities and non-governmental organizations, as such costs are agreed upon with the Bank.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Category (4) until the Bank has received satisfactory evidence that EPEEF and HBOR have adopted the EPEEF-HBOR Project Implementation Agreement.

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 under contracts for: (a) services of individual consultants costing less than \$50,000 equivalent per contract; (b) services of consulting firms costing less than \$200,000 equivalent per contract; and (c) training and operating costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient shall promptly refund, and/or cause HBOR to refund, when applicable, to the Bank, the GEF Trust Fund Grant proceeds disbursed by the Bank, and, in case HBOR shall have failed to perform its obligations under the Project Agreement, the income generated by the Contingent Loan Facility, in whole or in part, at the Bank's option, if:

(a) 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;

(b) the Bank shall have determined, at any time that the Recipient or EPEEF or HBOR shall have failed to perform any of their respective obligations under the GEF Grant Implementation Agreement or the HBOR GEF Grant Implementation Agreement respectively;

(c) expenditures from the GEF Trust Fund Grant Account were made on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations;

(d) expenditures from the GEF Trust fund Grant Account were made under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or EPEEF or HBOR during the procurement or execution of such contract, without the Recipient or EPEEF or HBOR having taken timely and appropriate action satisfactory to the Bank to remedy the situation; or

(e) the PIP has been amended, suspended, abrogated, repealed or waived in a manner which in the opinion of the Bank, would materially and adversely affect the implementation of the Project or the attainment of its objectives.

6. Refunds to the Bank of the GEF Trust Fund Grant proceeds, made pursuant to paragraph 5 of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to assist in developing an economically and environmentally sustainable market for renewable energy resources in Croatia.

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

#### Part A: Market Framework

1. Provision of technical assistance for designing and implementing policy and secondary legislation on the inclusion of renewable energy in the electricity sector; for development of streamlined permitting procedures for establishment or renewable energy production units; and support to the power market and system operators in developing procedures, guidelines and rules to facilitate the integration of renewable energy into the electricity supply system.
2. Support for monitoring and evaluation of Project activities and information dissemination.
3. Financing of Project management costs.

#### Part B: Sub-Project Preparation and Financing

1. Support for development of a sustainable pipeline of potential Sub-projects to be financed through the Contingent Loan Facility.
2. Establishment of the Contingent Loan Facility for provision of Sub-financing to eligible Beneficiaries for financing of Sub-projects.
3. Support for the creation of a national and possibly regional renewable energy advisory facility(ies), *inter alia*, providing information and know-how to private developers in the renewable energy sector.

\* \* \*

The Project is expected to be completed by September 30, 2009.



### **SCHEDULE 3**

#### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2) and (3) 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 services, training and operating costs required for 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 the amount of \$550,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
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 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 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 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 Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 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 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

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.