

CONFORMED COPY

TF 025152

Japanese Grant Agreement

(Privatization and Restructuring Program)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by JAPAN

Dated May 2, 1995

TF 025152

JAPANESE GRANT AGREEMENT

AGREEMENT, dated May 2, 1995, between RUSSIAN FEDERATION (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 (the Framework Agreement) between Japan and the Bank and International Development Association (the Association), Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such Framework Agreement;

(B) the Recipient has adopted certain interrelated measures aimed at improving the environment for restructuring of privatized enterprises on the territory of the Recipient (the Privatization and Restructuring Program, as described hereinafter in Schedule 2 to this Agreement) and has requested the Bank's assistance in connection with the elaboration and implementation thereof;

(C) the Bank, having considered such request and the economic benefits likely to accrue to the Recipient in the implementation of the Privatization and Restructuring Program, has discussed with the authorities of the Recipient an appropriate framework for undertaking the analytical, technical and advisory work required in connection

therewith through a cooperative structured program, consisting of specific technical assistance and institutional development projects;

(D) pursuant to a letter dated December 9, 1993, the Ministry of Finance of Japan has agreed on behalf of Japan, in accordance with paragraph 1.2 (f) of the Framework Agreement, to make available to the Recipient, out of the grant funds referred to in Recital (A) of this Preamble, a special allocation (the Special Allocation) in the amount of thirty-six million Dollars (\$36,000,000), which is intended to finance the cost of carrying out the various technical assistance activities referred to in such letter, relating to the Privatization and Restructuring Program, within the framework of the cooperative program referred to in Recital (C) of this Preamble;

(E) the Recipient and the Administrator have agreed upon a specific program for the utilization of grant funds to be provided by Japan, whereby a portion of the Special Allocation would be set apart and utilized by the Recipient, on the terms and conditions hereinafter set forth, as a self-standing grant (the Grant) to support a program of technical assistance (the Technical Assistance Program, as described in Schedule 2 to this Agreement) relating to activities pursuant to the establishment and operation of the institutional base for the Privatization and Restructuring Program, together with implementation of related lending projects involving post-privatization financial support and restructuring of enterprises;

(F) the Recipient intends to carry out the Technical Assistance Program through the Russian Privatization Center (the RPC, as hereinafter defined); and

(G) the Bank has received a letter dated March 27, 1994, from the RPC describing, inter alia, plans and administrative arrangements for the implementation of the Technical Assistance Program (the Letter of Implementation Policy).

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, 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 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 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; and
- (x) Article XI.

(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 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include

the International Bank for Reconstruction and Development acting in its own capacity;

- (ii) the term "Borrower," wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan," wherever used in the General Conditions, means the Grant;
- (v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project," wherever used in the General Conditions, means the Technical Assistance Program described in Schedule 2 to this Agreement; and
- (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in dollars; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

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) "RPC" means the Russian Privatization Center, a state-social foundation established according to Decree No. 716 of the Russian Federation President of November 23, 1992 and operating under the charter entered in a Registry for such entities in the Recipient's Ministry of Justice on April 27, 1993.

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

(c) "Sub-project" means any grant of resources or program of technical assistance made available or arranged by the RPC which involves the provision of goods, services or other facilities financed out of the proceeds of the Grant, in accordance with Schedule 3 to this Agreement, to one or more Russian enterprises for purposes of carrying out Part C of the Technical Assistance Program.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient out of the Special Allocation to be provided by Japan, a Grant in the amount of fourteen million dollars (\$14,000,000), on the terms and conditions set forth or referred to in this Agreement.

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Technical Assistance Program and to be financed out of the Grant.

(b) For purposes of facilitating payments in respect of costs incurred under the Technical Assistance Program, the Recipient may open and maintain a special deposit account in a commercial bank in Russia, 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 June 30, 1996, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Technical Assistance Program

Section 3.01. (a) The Recipient shall carry out the Technical Assistance Program with due diligence and efficiency and in conformity with appropriate administrative, financial, and commercial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Technical Assistance Program.

(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 carry out the Technical Assistance Program through the RPC in accordance with the Implementation Program set forth in Schedule 3 to this Agreement and the Letter of Implementation Policy.

Section 3.02. The Recipient hereby designates the RPC as representative of the Recipient for the purpose 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, and for the preparation of withdrawal applications under the Grant and for the collection of the documents and other evidence to be furnished to the Administrator in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$100,000 equivalent.

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement or Section 9.01 of the General Conditions, the Recipient shall, upon the Administrator's request, promptly enter into contractual or other arrangements with the RPC regarding any specific undertakings or other commitments to be made by the RPC to implement the Technical Assistance Program, or any portion thereof, in accordance with this Agreement, and furnish to the Administrator evidence, in form and detail acceptable to the Administrator, of such undertakings and commitments.

Section 3.04. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the Technical Assistance Program and to be financed out of the Grant shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Technical Assistance Program of the departments or agencies of the Recipient responsible for carrying out the Technical Assistance Program or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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, 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 and 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 Grant Account were made on the basis of statements of expenditure, the Recipient shall:

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

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

Remedies of the Administrator

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Administrator shall have suspended in whole or in part the right of the Recipient or the RPC to make withdrawals under a grant agreement with the Administrator in respect of any other grant made by the Administrator out of the Special Allocation referred to in Recital (D) of the Preamble to this Agreement.

(b) The Recipient or any other authority having jurisdiction over the RPC shall have taken any actions: (i) for the dissolution or disestablishment of the RPC; (ii) for the suspension of RPC's operations; or (iii) for the abrogation, suspension or repeal of RPC's statutes, licenses or other operational documents, or amendment thereto so as to affect materially and adversely the ability of the RPC to perform any of its obligations referred to in this Agreement relating to the carrying out of the Technical Assistance Program.

ARTICLE V

Effectiveness; Termination

Section 5.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 5.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representation

Section 6.01. Except as provided in Section 3.02 of this Agreement, the Minister of Finance or Deputy 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
Ul. Ilyinka, 9
Moscow, Russian Federation
103097

Telex:

112008

For the Administrator:

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:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

RUSSIAN FEDERATION

By /s/ Andrei Vavilov

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ Yukon Huang

Authorized Representative

SCHEDULE 1

Withdrawal of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Consultants' services and training:		100%
(a) under Part A	600,000	
of the Technical Assistance Program		
(b) under Part B	3,500,000	
of the Technical Assistance Program		
(c) under Part C	5,000,000	
of the Technical Assistance Program		
(d) under Part D	200,000	
of the Technical Assistance Program		

	(e)	under Part E	1,000,000	
		of the Technical Assistance Program		
(2)	Computers, equipment and supplies under Part B of the Technical Assistance Program		2,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3)	Communications facilities and data bases under Part B of the Technical Assistance Program		200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(4)	Media time and space under Part D of the Technical Assistance Program		1,000,000	100%
(5)	Unallocated		500,000	
	Total		14,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient; and

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; provided, however, that if the currency of the Recipient is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures."

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.

SCHEDULE 2

Description of the Technical Assistance Program

The objective of the Technical Assistance Program shall be to assist the Recipient in the preparation and establishment of a comprehensive program to promote, encourage and support the restructuring and improved economic performance of privatized enterprises (the "Privatization and Restructuring Program").

The Technical Assistance Program consists of the following parts, subject to such modifications thereof as the Administrator and the Recipient may agree upon from time to time to achieve such objective:

Part A: Establishment of Regional Enterprise Funds

Assistance to the RPC in the establishment and operation of specialized regional investment funds, inter alia, with the participation of foreign donors and international financial institutions, capable of making commercially based equity and loan investments in private Russian enterprises.

Part B: Establishment and Operation of Local Privatization Centers

Assistance to the RPC in the establishment and operation of local privatization

centers in selected regions of the Recipient, capable of offering qualified consulting and advisory services to private Russian enterprises established and operating in such regions, and in the design and delivery of technical assistance services through such centers.

Part C: In-Depth Restructuring Assistance

Funding of Sub-projects involving technical assistance, to be provided or arranged through the RPC to selected large privatized Russian enterprises on a pilot basis, to support comprehensive programs of restructuring of such enterprises.

Part D: Public Information

Assistance to the RPC in the design and implementation of a public information campaign concerning the Privatization and Restructuring Program.

Part E: General Post-Privatization Enterprise Support and Policy Assistance

Assistance to the RPC for specific activities to be agreed upon from time to time between the Recipient and the Administrator, relating to support for the design and initial implementation of the Privatization and Restructuring Program and other measures of post-privatization enterprise support, including: (i) legal services and (ii) training for staff of RPC and local privatization centers.

SCHEDULE 3

Implementation Program

1. In accordance with Decree No. 1045 of the Russian Federation Council of Ministers-Government of October 11, 1993, entitled "On the Formation of a Government Commission for the Utilization of Funds from the Program to Support Privatization and Structural Reforms in the Russian Federation," authorizing the RPC to act as the executing agency of the Recipient with respect to the administration and implementation of certain aspects of the technical assistance offered or provided to the Recipient within the framework of the Privatization and Restructuring Program, the RPC shall be responsible for implementation of the Technical Assistance Program.

2. The Recipient shall ensure, and shall cause the RPC to ensure, that:

(a) the RPC assigns a core technical assistance team, with qualifications, terms of reference and experience satisfactory to the Administrator, to be responsible for the design and management of all components of the Technical Assistance Program;

(b) local privatization centers established and receiving technical assistance under Part B of the Technical Assistance Program are legally established, that they are organized and functioning in such a way as to facilitate the prompt and effective provision of such technical assistance, and that satisfactory management and personnel are assigned to the activities supported by the Technical Assistance Program;

(c) each Sub-project under Part C of the Technical Assistance Program, as well as all technical assistance to local privatization centers under Part B of the Technical Assistance Program, is authorized and carried out pursuant to a legally binding agreement between the RPC and the beneficiary of such Sub-project or such local privatization center, under terms and conditions acceptable to the Recipient and the Administrator, which shall include, without limitation, the following:

(i) a description of the actions to be undertaken by such beneficiary or local privatization center and proposed technical assistance to be provided by the RPC (including the cost of such assistance);

(ii) cost recovery terms; and

(iii) an undertaking by such beneficiary or local privatization center to provide reports and information to the RPC relating to the Sub-project, or to the operation of such local privatization center, as the case may be;

(d) whenever, on an exceptional basis acceptable to the Administrator, procurement responsibility is delegated by the RPC to local privatization centers, such delegation of authority is made pursuant to subsidiary arrangements satisfactory to the Recipient and the Administrator ensuring, inter alia, that:

- (i) all relevant provisions and schedules of this Agreement shall be complied with; and
 - (ii) the RPC shall remain responsible for reports and other information in the possession of the local privatization centers which may be requested by the Recipient and the Administrator, including auditing;
- (e) for any technical assistance that might be extended to promoters of regional enterprise funds, the RPC is the contracting party and is fully responsible for all aspects of contract administration; and
- (f) the RPC provides quarterly reports to the Recipient and the Administrator, in a form and detail satisfactory to the Recipient and the Administrator, on all relevant aspects of the activities supported under the Technical Assistance Program; as well as supplies information relating to any programs and components of the Privatization and Restructuring Program and to any development project proposed to be financed by the Bank which may be related to the Technical Assistance Program.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Administrator, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Administrator shall have agreed to be necessary for the purposes of the Technical Assistance Program. Where no relevant standard bidding documents have been issued by the Bank, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Administrator.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$300,000 or more.

Part B: Other Procurement Procedures

1. Items or groups of items estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Administrator.

2. Contracts for goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Administrator.

Part C: Review by the Administrator of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for equipment and materials estimated to

cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Administrator prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Administrator as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Administrator has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Recipient in carrying out the Technical Assistance, the Recipient shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Recipient shall employ or cause to be employed such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with the Administrator. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Administrator.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 and services required for the Project and to be financed out of the amount of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Grant 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 \$2,000,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$50,000 shall be made exclusively out of the Special Account. The Administrator may from time to time, by notice to the Recipient, revise the threshold amount specified in the preceding sentence.

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 a deposit or deposits 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 in 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 para-graph 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 3.05 (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 Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Technical Assistance Program, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan 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.

