

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF053359 - CHA

Global Environment Facility Trust Fund Grant Agreement

(Guangdong Pearl River Delta Urban Environment Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated July 5, 2004

GEF TRUST FUND GRANT NUMBER TF053359 - CHA

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 5, 2004, between PEOPLE'S REPUBLIC OF CHINA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

(B) following the restructuring of the GEF, such arrangements 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 No. 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 the financing of Parts B.2, C.1, C.2, D.2 and E.4 of 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 Recipient has also requested the Bank to provide additional financing towards the financing of the Project, and by an agreement of even date herewith between the Recipient and the Bank, the Bank is agreeing to provide such assistance in an aggregate principal amount of one hundred twenty-eight million Dollars (\$128,000,000) (the Loan);

(E) the Project will be carried out by Guangdong Province (Guangdong) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the loan referred to in Clause (D) above available to Guangdong, as set forth in the Loan Agreement of even date herewith; 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 October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (but excluding Sections 2.01 (1), (10), (11), (12), (13), (15), (17) and (20)), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Sections 4.01, 4.02(a) and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (but excluding 6.02(b), (k) and (n)), 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 (8) and 6.02 (f) 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;

- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and
- (vi) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

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

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

(b) “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter, (B) loss of assets or access to assets, or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

(c) “Environmental Management Plan” and “EMP” mean the plan prepared by Guangdong and referred to in paragraph 3 of Schedule 2 to the Project Agreement, which constitutes an integral part of the Environmental Assessment dated February 28, 2004, prepared by Guangdong; said Plan sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as said Plan may be revised from time to time with the agreement of the Bank.

(d) “Environmental Management Framework” means the framework dated February 28, 2004, prepared by Guangdong and referred to in paragraph 3 of Schedule 2 to the Project Agreement, which sets out the principles and procedures for carrying out environmental impact assessments and preparing environmental management plans for inter-municipal environmental infrastructure sub-projects to be identified under Part C.2

of the Project, as said Framework may be revised from time to time with the prior concurrence of the Bank.

(e) “Fiscal Year” means: (i) in respect of the Recipient, each period from January 1 through December 31 of the calendar year; and (ii) in respect of Guangdong and Guangzhou, each period from January 1 through December 31 of the calendar year.

(f) “GDEPB” means the Guangdong Environmental Protection Bureau and any successor thereto.

(g) “GEF Capital Sub-grants” means grants made under Part C.2 of the Project to Participating Entities, out of the proceeds of the GEF Trust Fund Grant, to support eligible inter-municipal environmental infrastructure facilities, in accordance with the provisions of paragraph 13(g) of Schedule 2 to the Project Agreement.

(h) “GEF O&M Sub-grants” means grants made under Part C.2 of the Project to Participating Entities, out of the proceeds of the GEF Trust Fund Grant, to support eligible inter-municipal environmental infrastructure facilities, in accordance with the provisions of paragraph 13(g) of Schedule 2 to the Project Agreement.

(i) “GEF Sub-grants” means, collectively: (i) the GEF Capital Sub-grants and (ii) the GEF O&M Sub-grants.

(j) “GHWMC” means Guangzhou Hazardous Waste Management Center, a department under Guangzhou Environmental Protection Bureau, responsible for the management of hazardous wastes, and any successor thereto.

(k) “GTDC” means the Guangzhou Tunnel Development Company, a state-owned project management company acting as agent for GSTC in the implementation of Part A of the Project.

(l) “GSTC” means Guangzhou Sewage Treatment Company, a state-owned limited liability company established and operating pursuant to its Charter of December 3, 2003, and to Business License No. 4401011109816, dated November 27, 2003, issued by Guangzhou Industrial and Commercial Administration Bureau, and any successor thereto.

(m) “Guangdong” means the Borrower’s Guangdong Province, and any successor thereto.

(n) “Guangzhou” means Guangzhou Municipality within Guangdong Province, and any successor thereto.

(o) “Industrial Pollution Control Action Plan” means the action plan dated November 2003 prepared by Guangzhou, and referred to in paragraph 15 of Schedule 2 to the Project Agreement, said Action Plan setting forth activities to be carried out by

Guangzhou to control and minimize industrial pollution in the surface waters of the Pearl River Delta within Guangzhou's jurisdiction in order for surface waters to meet water quality Class-III stipulated in the Borrower's "Surface Water Environmental Quality Standard" (GB3838-88).

(p) "Participating Entities" means municipalities, districts or towns in Guangdong which have entered into agreements with other contiguous municipalities, districts or towns to jointly develop, operate and maintain environmental infrastructure facilities under Part C.2 of the Project.

(q) "PRDCC" means the Pearl River Delta Clean-up Campaign, Guangdong's wastewater management plan for the Pearl River Delta and adopted by Guangdong in October 2002.

(r) "Project Agreement" means the agreement between the Bank and Guangdong of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(s) "Resettlement Action Plans" and "RAPs" mean, collectively: (i) the Resettlement Action Plan for the Dashadi Wastewater Treatment Plant; (ii) the Resettlement Action Plan for the Liede III Wastewater Treatment Plant; (iii) the Resettlement Action Plan for the Sewerage Network; and (iv) the Resettlement Action Plan for the Hazardous Waste Center, all dated March 8, 2004, prepared by Guangzhou and referred to in paragraph 2 of Schedule 2 to the Project Agreement; said Plans set out the principles and procedures governing the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said Plans, as said Plans may be revised from time to time with the agreement of the Bank; and "Resettlement Action Plan" and "RAP" mean any of said Resettlement Action Plans or RAPs.

(t) "Resettlement Policy Framework" means the policy framework dated March 8, 2004, prepared by Guangzhou and referred to in paragraph 2 of Schedule 2 to the Project Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans whenever required during the implementation of the Project, as said Policy Framework may be revised from time to time with the agreement of the Bank.

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

(v) "Subsidiary Loan Agreement" means the agreement to be entered into between Guangzhou and Guangzhou Sewage Treatment Company pursuant to paragraph 6 of Schedule 2 to the Project Agreement, as the same may be amended from time to

time; and such term includes all schedules and supplements to the Subsidiary Loan 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 of ten million Dollars (\$10,000,000).

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) GEF Sub-grants made for part of the costs of capital investment and of operation and maintenance for eligible inter-municipal environmental infrastructure sub-projects under Part C.2 of the Project and in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested; (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Parts B.2, C.1, C.2, D.2 and E.4 of the Project, and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of Parts B.2, C.1, C.2, D.2 and E.4 of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 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, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause Guangdong to perform in accordance with the provisions of the Project Agreement all the obligations of Guangdong therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable Guangdong to perform such obligations, and shall not take or permit to be taken any action which would otherwise prevent or interfere with such performance.

(b) The Recipient shall make the proceeds of the GEF Trust Fund Grant available to Guangdong under terms and conditions satisfactory to the Bank.

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

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

ARTICLE IV

Financial Conditions

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

- (b) the Recipient shall cause Guangdong to:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Recipient shall cause Guangdong 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.

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) Guangdong shall have failed to perform any of its obligations under the Project Agreement;

(b) As a result of events which have occurred after the date of the GEF Trust Fund Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that Guangdong will be able to perform its obligations under the Project Agreement; or

- (c) (i) Subject to sub-paragraph (ii) of this paragraph (c),
 - (A) the right of the Recipient to withdraw the proceeds of the Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement; or
 - (B) the Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Sub-paragraph (i) of this paragraph (c) shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its

obligations under the Loan Agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties hereto or the Effective Date of the Loan Agreement, whichever is later.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. 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, provided, however, that if the Loan Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

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
Sanlihe, Beijing 100820
People's Republic of China

Facsimile:

(86-10) 68551125

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(1-202) 477-6391

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

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zou Jiayi

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT

By /s/ David Dollar

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>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) GEF Sub-grants under Part C.2 of the Project:		
(a) GEF Capital Sub-grants	4,900,000	100% of Sub-grant amount disbursed
(b) GEF O&M Sub-grants	2,000,000	
(2) Consultants' Services under Parts B.2, C.1, C.2, D.2 and E.4 of the Project	3,100,000	91%
 TOTAL:	 10,000,000 =====	

2. 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.

3. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for consultants' services procured under contracts (a) with consulting firms costing less than \$100,000 equivalent each; and (b) with individual consultants costing less than \$50,000 equivalent each.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient to address the environmental problems of the Pearl River Delta in Guangdong Province through the improvement and rationalization of environmental service delivery based on a regional planning approach.

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: Guangzhou Wastewater Management

1. Construct a wastewater treatment plant at Dashadi in Guangzhou, with a capacity of about 200,000 cubic meters per day (m³/d).
2. Expand the capacity of the Liede III wastewater treatment plant in Guangzhou by about 200,000 m³/d.
3. Construct about 500 kilometers (km) of trunk sewers to convey wastewater from the drainage catchments of Dashadi, Liede III and other selected drainage catchments.
4. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part A.

Part B: Hazardous Waste Management

1. Construct the first phase of a hazardous waste treatment center in Guangzhou, including a pre-treatment center and landfill with a capacity of about 150,000 m³.
2. Develop the regulatory and institutional framework for hazardous waste management; promote public-private partnership in waste management; and carry out a hazardous waste survey and market assessment.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part B.

Part C: Inter-municipal Environmental Infrastructure

1. Develop a policy and institutional framework and guidelines for collaboration among contiguous municipalities, districts or towns in environmental infrastructure development.
2. Support the development of selected inter-municipal environmental infrastructures.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part C.

Part D: Water Quality Monitoring

1. Develop a water quality monitoring program for the Pearl River Delta.
2. Strengthen the capacity of the Guangdong Environmental Protection Bureau to implement the water quality monitoring program and develop a regional environmental management framework.
3. Resettlement and rehabilitation of Displaced Persons in connection with the activities to be carried out under this Part D.

Part E: Institutional Strengthening and Training

1. Carry out a program to strengthen Project implementation capacity and to support the institutional development of environmental infrastructure service entities through the provision of technical assistance, training and equipment.
2. Carry out a study on regional planning and metropolitan management of inter-municipal infrastructure development in Guangdong (in the contiguous areas of Guangzhou and Foshan).
3. Carry out a program of public hygiene promotion in selected areas in Guangzhou.
4. (a) Promote private-public partnership in wastewater management in Guangdong; and
(b) Review and update Guangdong's wastewater management plan for the Pearl River Delta.

* * *

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

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Category” means Category (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost services required for Parts B.2, C.1, C.2, D.2 and E.4 of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equal to \$175,000 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 eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts B.2, C.1, C.2, D.2 and E.4 of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Category shall follow such procedures as the Association 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.