

CONFORMED COPY

TF024792

Trust Fund Grant Agreement

(Kosovo Pilot Water Supply Project)

between

UNITED NATIONS INTERIM  
ADMINISTRATION IN KOSOVO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(Acting as Administrator for the Trust Fund for Kosovo)

Dated April 18, 2001

TF024792

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated as of April 18, 2001, between UNITED NATIONS INTERIM ADMINISTRATION IN KOSOVO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development (Bank) and the International Development Association, acting on the recommendation of its Board of Executive Directors, decided on September 30, 1999, to transfer from Bank surplus, by way of grant, \$25,000,000 to a trust fund (the Trust Fund) for Kosovo, Federal Republic of Yugoslavia (Serbia and Montenegro) (Kosovo), established by Resolutions of the Executive Directors of the Bank (Resolution No. 99-7) and the International Development Association (Resolution No. IDA 99-4), to be administered by the Administrator, to be used for financing an emergency reconstruction program in the territory of Kosovo;

(B) the Board of Governors of the Bank further decided on September 27, 2000, to transfer from Bank surplus, an additional amount of \$35,000,000 (Additional Contribution) to the Trust Fund;

(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

the Administrator to assist, from the Additional Contribution, in the financing the Project; and

(D) by an agreement dated November 26, 1999 between Kreditanstalt für Wiederaufbau (KfW) and the water supply entities of Prizren, Suharekë, Rahovec, Gjakovë and Pejë, represented by the Recipient (the KfW Grant Agreement), the KfW has agreed to make a grant to the Recipient in an amount of nine million three hundred thousand Deutsche Marks (DM 9,300,000) (the KfW Grant) to assist in financing Part A of the Project on the terms and conditions set forth in the KfW Grant Agreement;

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing to extend the 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. The General Conditions (the General Conditions) set forth in Schedule 5 to this Agreement constitute an integral part of this Agreement.

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

(a) "Management Contract" means the agreement to be entered between the Recipient, the Project Water Company, and a private operator to be selected by the Recipient pursuant to Section 3.03 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Service Agreement;

(b) "Project Management Report" or "PMR" means each report prepared in accordance with Section 4.02 (b) of this Agreement;

(c) "Project Water Company" means the Gjakovë-Rahovec Water Supply Company, a water public utility service provider, organized and established pursuant to the Administrative Instruction issued by the Public Utilities Department of the United Nations Interim Administration in Kosovo, on 5 December 2000, and operating on the basis of its charter dated 7 December, 2000, and registered with the Public Utilities Department on 11 December 2000, or any successor or successors thereto;

(d) "Service Agreement" means the agreement to be entered into between the Recipient and the Project Water Company, pursuant to Section 3.02 (a) of this Agreement, as the same agreement may be amended from time to time, and such term includes all schedules supplemental to the Service Agreement; and

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

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on a grant basis and on the terms and conditions set forth or referred to in this Agreement, a grant in the amount of four million six hundred thousand Dollars (\$4,600,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule Error! Not a valid link. to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made), in respect of the reasonable cost of goods, services and works required for the

Project.

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

Section 2.03. The Closing Date shall be January 15, 2004, 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 Project

Section 3.01. 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 implement the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, dam safety and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, in accordance with this Agreement.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall enter into a service agreement (the Service Agreement) with the Project Water Company, under terms and conditions satisfactory to the Administrator, which shall include provisions regarding the Project Water Company responsibility for Project implementation and reporting requirements.

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

Section 3.03. (a) Without limitation upon the provisions of Section 3.01 and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall enter into a Project management contract (the Management Contract) with the Project Water Company and a private operator with international expertise to be selected by the Recipient in accordance with the terms of this Agreement, under terms and conditions satisfactory to the Administrator, which shall include provisions regarding Project Water Company responsibility for Project implementation, preparation of investment plans and reporting requirements.

(b) The Recipient shall exercise its rights under the Management Contract in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant, and, except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Management Contract or any provision thereof.

Section 3.04. Without limitation upon the provisions of Section 3.01 and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall:

(a) undertake annual reviews by qualified dam safety experts of the Radoniqui dam and its related structures, and operation and maintenance procedures, to determine whether there are any deficiencies in the condition of said dam or structures, or in the quality and adequacy of maintenance or methods of operation thereof, which may endanger the safety of the Radoniqui dam;

(b) promptly report the findings and recommendations of such experts to the Administrator; and

(c) ensure that the Radoniqui dam is thereafter maintained and operated in accordance with the findings and recommendations of such experts, and sound engineering and dam safety practices, under arrangements satisfactory to the

Administrator.

Section 3.05. Except as the Administrator shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.06. For the purposes of Section 1.23 of the General Conditions and without limitation thereto, the Recipient shall:

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

(ii) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about August 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (i) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(iii) review with the Administrator, by October 31, 2002, or such later date as the Administrator shall request, the report referred to in subparagraph (ii) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

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

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

#### ARTICLE IV

##### Financial Covenants

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

(b) The Recipient shall:

(i) ensure that the records, accounts, including the records and accounts for the Special Account, and financial statements referred to in paragraph (a) of this Section for each fiscal year are audited, in accordance with auditing standards acceptable to the Administrator consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts, and report

of such audit by said auditors of such scope and in such detail as the Administrator shall have reasonably requested by the Administrator; and

(iii) furnish to the Administrator such other information concerning said records and accounts, and the audit thereof, and concerning said auditors, 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 ensure that:

(i) in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures are maintained;

(ii) until at least one (1) 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 are retained;

(iii) the Administrator's representatives are able to examine such records; and

(iv) 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than September 30, 2001, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Grant, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Administrator and furnish to the Administrator not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Administrator

Section 5.01. Pursuant to Section 1.15 (c) of the General Conditions, the following additional events are specified:

(a) the Service Agreement or the Management Contract shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the

ability of the parties thereto to perform any of the obligations under this Agreement;

(b) the parties to the Service Agreement shall have failed to perform any of their material obligations thereunder; and

(c) (i) subject to subparagraph (ii) of this paragraph (c) the right of the Recipient to withdraw the proceeds of the KfW Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the KfW Agreement providing therefor;

(ii) subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under the KfW 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 enter into effect upon its execution by the parties.

Section 6.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties have fulfilled their obligations thereunder.

#### ARTICLE VII

##### Representative of the Recipient; Addresses

Section 7.01. The Special Representative of the Secretary-General of the United Nations for Kosovo is designated as representative of the Recipient for the purposes of any modification or amplification of the provisions of this Agreement referred to in Section 1.28 of the General Conditions, and the Deputy Special Representative of the Secretary-General, Head of UNMIK Pillar IV, Economic Reconstruction and Development is designated as representative of the Recipient for any other actions referred to in Section 1.28 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 1.25 of the General Conditions:

For the Recipient:

UNMIK Pristina  
c/o UN Liaison Office in Skopje  
M.H. Jasmin BB  
ZGRABA NA NIP NOVA  
Macedonia  
9100 Skopje  
Former Yugoslav Republic of Macedonia

Facsimile:

21 963-8113  
21 963-8603

For the Administrator:

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

Cable address:                      Telex:                      Facsimile:  
INDEVAS                      248423 (MCI) or              1-202-477-6391  
Washington, D.C.              64145 (MCI)

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

UNITED NATIONS INTERIM ADMINISTRATION IN KOSOVO

By /s/ Hans Haekkerup

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christiaan J. Poortman

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the Grant, the allocations 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<br>Grant Allocated<br>(Expressed in<br>Dollars) | % of<br>Expenditures<br>to be Financed |
|---------------------------|---|--|
| (1) Goods                 | 1,050,000   | 100%                                   |
| (2) Works                 | 1,150,000   | 100%                                   |
| (3) Management Fee        | 2,000,000   | 100%                                   |
| (4) Consultants' services | 350,000   | 100%                                   |
| (5) Unallocated           | 50,000  |  |
| TOTAL                     | 4,600,000   |  |

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. For the purposes of this Schedule, the term "Management Fee" means the fee and other payments to be paid by the Recipient under the terms of the Management Contract to the private international operator.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) contracts for goods, costing less than \$100,000 equivalent; (b) contracts for services of consulting firms costing less than \$100,000 equivalent; (c) contracts for services of individual consultants costing less than \$50,000 equivalent; (d) contracts for works, costing less than \$200,000, all

under such terms and conditions as the Administrator shall specify by notice to the Recipient.

## SCHEDULE 2

### Description of the Project

The overall objective of the Project is to assist the Recipient to test the reform in the water sector in the Gjakovë-Rahovec area of Kosovo, and, specifically to: (a) ensure the sustainable and efficient provision of water services; (b) support urgent repairs to the water system infrastructure; (c) demonstrate the viability of private sector participation in the provision of water services; and (d) develop a model for integrated water resources management.

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

#### Part A: Water Supply Improvement

##### 1. Urgent Infrastructure Repairs

Repairs to the water supply system in the Gjakovë-Rahovec area to address urgent problems caused by lack of maintenance and damage from recent conflict, through the financing of goods and works.

##### 2. Management Improvement

Improvement of the efficiency of water services in the Gjakovë-Rahovec area, including improvement in the operational and financial management, through the financing of performance-based management by a private international operator, and consultants services.

##### 3. Infrastructure Rehabilitation

The rehabilitation of the water supply system in the Gjakovë-Rahovec area to address medium term infrastructure improvement needs, based on work plans, budgets and proposals to be developed by the private international operator, through the financing of goods, works and services.

#### Part B: Integrated Resources Management

Development of a framework for integrated water resources management, with focus on water allocation issues, through the financing of consulting services.

\* \* \*

The Project is expected to be completed by July 15, 2003.

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods, works and performance-based services shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

##### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods, works and performance-based services shall be procured under contracts awarded in accordance



with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$200,000 equivalent or less per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to all contracts for Part B and the first contract under Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Administrator in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the

following provisions of this Section II.

Part B: Quality and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

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, works and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$750,000, 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 \$450,000, 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 \$1,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

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

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

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

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

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Sections 1.06 through 1.14 V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 1.15 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 1.07 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

## SCHEDULE 5

### General Conditions

#### Section 1.01. Application of General Conditions

Without limitation or restriction upon the scope of any other provisions of this Agreement, these General Conditions set forth certain basic terms and conditions applicable to this Agreement.

#### Section 1.02. Definitions

The following terms have the following meanings wherever used in these General Conditions:

(a) "Administrator" means the International Development Association, acting as administrator of the Trust Fund.

(b) "Grant" means the grant provided for in this Agreement.

(c) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.

(d) "Grant Account" means the account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited.

(e) "Project" means the project for which the Grant is made, as described in Schedule 2 to this Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Administrator.

(f) "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.

(g) "Closing Date" means the date specified in Section 2.03 of this Agreement after which the Administrator may, by notice to the Recipient, terminate the right of

the Recipient to withdraw from the Grant Account.

#### Section 1.03. Grant Account

The amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom by the Recipient as provided in this Agreement and in these General Conditions.

#### Section 1.04. Currencies in which Withdrawals are to be Made

Except as the Recipient and the Administrator shall otherwise agree, withdrawals from the Grant Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Grant have been paid or are payable.

#### Section 1.05. Valuation of Currencies

Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Administrator.

#### Section 1.06. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from the Grant Account amounts expended or, if the Administrator shall so agree, amounts to be expended for the Project in accordance with the provisions of this Agreement and of these General Conditions. Except as the Administrator and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the International Bank for Reconstruction and Development, except for the territory of Kosovo, or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

#### Section 1.07. Special Commitments by the Administrator

Upon the Recipient's request and upon such terms and conditions as shall be agreed upon between the Recipient and the Administrator, the Administrator may enter into special commitments in writing to pay amounts to the Recipient or others in respect of expenditures to be financed out of the proceeds of the Grant notwithstanding any subsequent suspension or cancellation by the Administrator or the Recipient.

#### Section 1.08. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Administrator to enter into a special commitment pursuant to Section 1.06 of the General Conditions, the Recipient, or the person designated under Section 2.04 of this Agreement, shall deliver to the Administrator a written application in such form, and containing such statements and agreements, as the Administrator shall reasonably request. Applications for withdrawal, including the documentation required therefor, shall be made promptly in relation to expenditures for the Project.

#### Section 1.09. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in this Agreement, if the Administrator has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in this Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Administrator may, by notice to the Recipient:

(a) reallocate to such category, to the extent required to meet the estimated shortfall, proceeds of the Grant which are then allocated to another category and which in the opinion of the Administrator are not needed to meet other expenditures; and

(b) if such reallocation cannot fully meet the estimated shortfall, reduce the percentage for withdrawal then applicable to such expenditures in order that further withdrawals under such category may continue until all expenditures thereunder shall have been made.

#### Section 1.10. Evidence of Authority to Sign Applications for Withdrawal

The Recipient shall furnish to the Administrator evidence of the authority of the person or persons authorized to sign applications for withdrawal and the authenticated specimen signature of any such person.

#### Section 1.11. Supporting Evidence

The Recipient shall furnish to the Administrator such documents and other evidence in support of the application as the Administrator shall reasonably request, whether before or after the Administrator shall have permitted any withdrawal requested in the application.

#### Section 1.12. Sufficiency of Applications and Documents

Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Administrator that the Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in this Agreement.

#### Section 1.13. Treatment of Taxes

It is the policy of the Administrator that no proceeds of the Grant shall be withdrawn on account of payments for any taxes levied in the territory in which the Recipient is located on goods or services, or on the importation, manufacture, procurement or supply thereof. To that end, if the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant decreases or increases, the Administrator may, by notice to the Recipient, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in this Agreement as required to be consistent with such policy of the Administrator.

#### Section 1.14. Payment by the Administrator

The Administrator shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

#### Section 1.15. Suspension by the Administrator

If any of the following events of suspension shall have occurred and be continuing, the Administrator may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to perform any obligation under this Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under this Agreement.

(c) Any other event specified in this Agreement for the purposes of this Section shall have occurred.

The right of the Recipient to make withdrawals from the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to suspension shall have ceased to exist, unless the Administrator shall have notified the Recipient that the right to make withdrawals has been restored in whole or in part, as the case may be.

#### Section 1.16. Cancellation by the Administrator

If (a) the right of the Recipient to make withdrawals from the Grant Account shall have been suspended with respect to any amount of the Grant for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Grant, or (c) at any time, the Administrator determines, with respect to any contract to be financed out of the proceeds of the Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Grant, or (d) at any time, the Administrator determines that the procurement of any item is inconsistent with the procedures set forth or referred to in this Agreement and establishes the amount of the expenditures in respect of such item which would otherwise have been eligible for financing out of the proceeds of the Grant or, (e) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account, the Administrator may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be cancelled.

Section 1.17. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Administrator

No cancellation or suspension by the Administrator shall apply to amounts subject to any special commitment entered into by the Administrator pursuant to Section 1.07 of the General Conditions except as expressly provided in such commitment.

Section 1.18. Effectiveness of Provisions after Suspension or Cancellation

Notwithstanding any cancellation or suspension, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Agreement.

Section 1.19. Cooperation and Information

(a) The Recipient and the Administrator shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Administrator shall:

(i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Project, the purposes of the Grant, and the performance of their respective obligations under this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

Section 1.20. Insurance

The Recipient shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

Section 1.21. Use of Goods, Works and Services

Except as the Administrator shall otherwise agree, the Recipient shall cause all goods, works and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Project.

#### Section 1.22. Plans and Schedules

The Recipient shall furnish, or cause to be furnished, to the Administrator promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Administrator shall reasonably request.

#### Section 1.23. Records and Reports

(a) The Recipient shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works or services financed out of the proceeds of the Grant, and to disclose their use in the Project; (ii) enable the Administrator's representatives to visit any facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement; and (iii) furnish to the Administrator at regular intervals all such information as the Administrator shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Grant and the goods, works and services financed out of such proceeds.

(b) Upon the award of any contract for goods, works or services to be financed out of the proceeds of the Grant, the Administrator may publish a description thereof, the name and nationality of the party to which the contract was awarded and the contract price.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, the Recipient shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Administrator of their respective obligations under this Agreement and the accomplishment of the purposes of the Grant.

#### Section 1.24. Maintenance

The Recipient shall at all times operate and maintain, or cause to be operated and maintained, any facilities relevant to the Project, and promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

#### Section 1.25. Land Acquisition

The Recipient shall cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Administrator, promptly upon its request, evidence satisfactory to the Administrator that such land and rights in respect of land are available for purposes related to the Project.

#### Section 1.26. Notices and Requests

Any notice or request required or permitted to be given or made under this Agreement and any other agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address specified in this Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Delivery made by facsimile transmission shall be confirmed by mail.

#### Section 1.27. Evidence of Authority

The Recipient shall furnish to the Administrator sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any



action or execute any documents required or permitted to be taken or executed by the Recipient under this Agreement, and the authenticated specimen signature of each such person.

Section 1.28. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in this Agreement for the purposes of this Section or any person thereunto authorized in writing by such representative. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Recipient by written instrument executed on behalf of the Recipient by the representative so designated or any person thereunto authorized in writing by such representative, provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under this Agreement. The Administrator may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 1.29. Settlement of Disputes

Any dispute arising out of, or relating to, this Agreement, which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

Section 1.30. Execution in Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original.

