Development Grant Agreement

(Bumbuna Hydroelectric Environmental and Social Management Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2005
GRANT NUMBER H170 SL

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated June 28, 2005, between the REPUBLIC OF SIERRA LEONE (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Recipient has requested that the Association provide to a private lender a partial risk guarantee in an amount not exceeding the equivalent of thirty-eight million Dollars (the Partial Risk Guarantee) to assist in financing the Completion of the Bumbuna Hydroelectric Dam Project (the BHP), on the terms and conditions set forth in a guarantee agreement to be entered into between the Association and said lender (the Guarantee Agreement), but on condition that the Recipient agrees to reimburse to the Association all amounts paid by the Association in relation to or arising from the Guarantee Agreement and to undertake such other obligations to the Association set forth in an indemnity agreement to be entered into between the Recipient and the Association (the Indemnity Agreement), and on condition that the various entities involved in the construction, operation, maintenance or management of the Bumbuna dam and transmission line facilities, including, but not limited to, the Bumbuna Hydroelectric Company, Ltd (BHC), agree to undertake certain obligations set forth in project agreements to be entered into between such entities and the Association (the Project Agreements);

(C) by an agreement dated April 4, 2004 between the Recipient and the African Development Bank (AfDB) (the AfDB Grant Agreement), the AfDB has agreed to make a grant to the Recipient in an amount equivalent to $4,045,500 (the AfDB Grant) to assist in financing part of the Project on the terms and conditions set forth in the AfDB Grant Agreement;

(D) by an agreement entered into between the Government of Italy and AfDB, dated August 20, 2004 (the Italian Grant Agreement), the Government of Italy has agreed to make a grant to the Recipient through the AfDB in an amount €18,000,000 (the Italian Grant) to assist in financing part of the Project on the terms and conditions set forth in the Italian Grant Agreement;
(E) the Recipient intends to enter into an emission reductions purchase agreement with the Bank as trustee of the Netherlands Clean Development Mechanism Facility to purchase greenhouse gas emission reductions attributed to the BHP; and

WHEREAS the Association 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 Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Additional Environmental Studies” means the studies, referred to in Section II (3) of Schedule 4 to this Agreement, to be carried out by the Recipient under Part B of the Project and thereafter incorporated by the Recipient in the Environmental Management Plan (as hereinafter defined);

(b) “Affected Persons” means persons who, on account of the execution of the BHP (as hereinafter defined) had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

(c) “Beneficiary” means a community-based organization, registered and operating under the laws of the Recipient, which has met the eligibility criteria specified in the Project Implementation Plan (as hereinafter defined) and, as a result, has been extended, or is to be extended, a Community Grant (as hereinafter defined) for the
carrying out of a Community Subproject (as hereinafter defined); and “Beneficiaries” means each such Beneficiary collectively;

(d) “BHP” means the Completion of the Bumbuna Hydroelectric Dam Project referred to in Recital B of this Agreement to be supported by the Association through the Partial Risk Guarantee, and in connection with which the Association has agreed to finance the Project set forth in Schedule 2 to this Agreement;

(e) “Bumbuna Conservation Area” means a protected biodiversity area to be established by the Recipient in accordance with Section III (3) of Schedule 4 to this Agreement;

(f) “Bumbuna Trust” means the trust referred to Section III (4) of Schedule 4 to this Agreement;

(g) “Bumbuna Watershed Management Authority” or “BWMA” means the institution referred to in Section I (3) of Schedule 4 to this Agreement;

(h) “Bumbuna Watershed Management Plan” means the plan referred to in Section II (2) of Schedule 4 to this Agreement;

(i) “Communication Action Plan” or “CAP” means the Recipient’s plan dated March 2005 and referred to in Section II (5) of Schedule 4 to this Agreement, containing guidelines and procedures for communications capacity building, inter-institutional coordination, grassroots communication, media relations, and external communication related to the Project;

(j) “Community Grant” means a grant made or proposed to be made by a district council out of the proceeds of the Grant to a Beneficiary for the purpose of financing a Community Subproject;

(k) “Community Grant Agreement” means an agreement between, or intended to be concluded between, a district council and a Beneficiary, setting forth the terms and conditions under which a Community Grant shall be made available to the Beneficiary for the purpose of financing a Community Subproject;

(l) “Community Subproject” means specific activities carried out or to be carried out by a Beneficiary and financed or proposed to be financed through a Community Grant under Part D (i) and (ii) of the Project;
(m) “Contractors’ EMPs” means the environmental management plans referred to in Section II (6) of Schedule 4 to this Agreement;

(n) “Dam and Reservoir Resettlement Action Plan” means the plan of the Recipient dated January 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, to be implemented by the Recipient under Part C of the Project pursuant to Section II (4) of Schedule 4 to this Agreement, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons located in the Bumbuna dam and reservoir area as specified in the said plan, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, sources of funding, the Livelihood Assessment and Income Restoration Program (as hereinafter defined) and the Stabilized Agriculture Program (as hereinafter defined), together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the said plan;

(o) “Dam Safety Plan” means the plan referred to in Section II (6) of Schedule 4 to this Agreement;

(p) “Dam Safety Review Panel” or “DSRP” means the panel of experts referred in Section I (5) of Schedule 4 to this Agreement;

(q) “Emergency Preparedness Plan” means the plan referred to in Section II (6) of Schedule 4 to this Agreement;

(r) “Environmental and Social Amenity Flow Plan” means the plan included in the EMP to be adopted by the Recipient prior to full impoundment of the Bumbuna reservoir pursuant to Section III (1) of Schedule 4 to this Agreement;

(s) “Environmental Management Plan” or “EMP” means the Environmental Management Plan of the Recipient dated January 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, to be implemented by the Recipient under Part A of the Project pursuant to Section II (2) of Schedule 4 to this Agreement, defining procedures, guidelines, rules and measures to avoid, mitigate, reduce and/or offset adverse environmental and social impacts of the BHP, and enhance the environmental and social benefits to be derived from the BHP, as the said plan shall be modified to incorporate the additional safeguard measures identified under the Additional Environmental Studies pursuant to Section II (3) (c) of Schedule 4 to this Agreement;

(t) “Environmental and Social Advisory Panel” or “ESAP” means the panel of experts referred to in Section I (6) of Schedule 4 to this Agreement;
(u) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(v) “Impoundment Plan” means the plan referred to in Section II (6) of Schedule 4 to this Agreement;

(w) “Initial Deposit” means the deposit referred to in Section 3.03 (b) of this Agreement;

(x) “Livelihood Assessment and Income Restoration Program” or “LAIR” means a program of activities included in the Dam and Reservoir Resettlement Action Plan designed to ensure that individual household incomes in the Bumbuna dam and reservoir area are restored to at least pre-resettlement levels through the provision of income generation alternatives to the Affected Persons in the said area;

(y) “MoEP” means the Recipient’s Ministry of Energy and Power;

(z) “Procurement Plan” means the Recipient’s procurement plan, dated May 11, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(aa) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(bb) “Project Area” means the following areas, which may be impacted by the BHP: (i) the Bumbuna reservoir area; (ii) the watershed surrounding the Bumbuna reservoir; (iii) the dam site, work camps, borrow pits, powerhouse complex and dam access road to the town of Bumbuna and other roads directly provided by the contractors for BHP construction activities; (iv) the river and embankments downstream of the dam encompassing Bumbuna Falls and the area to be defined in the downstream and reservoir fisheries program of the EMP; (v) the area to be designated for the Bumbuna Conservation Area and other related areas where chimpanzees and other flora and fauna need to be protected; and (vi) the transmission line right-of-way from the power station switchyard at Bumbuna to the substation in Freetown, including substations along the right-of-way;

(cc) “Project Implementation Plan” or “PIP” means the plan referred to in Section II (1) of Schedule 4 to this Agreement, as the said plan may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Implementation Plan;
(dd) “Project Implementation Unit” or “PIU” means the unit referred to in Section I (2) of Schedule 4 to this Agreement;

(ee) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 4, 2004 and on behalf of the Recipient on July 5, 2004;

(ff) “Reservoir Clearance Plan” means the plan included in the EMP to be implemented by the Recipient prior to impoundment of the Bumbuna reservoir pursuant to Section III (1) of Schedule 4 to this Agreement;

(gg) “Resettlement Action Plans” or “RAPs” means the Dam and Reservoir Resettlement Action Plan and the Transmission Line Resettlement Action Plan (as hereinafter defined);

(hh) “SLL” means Sierra Leonean Leones, the currency of the Recipient;

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

(jj) “Stabilized Agriculture Program” means a program of activities included in the Dam and Reservoir Resettlement Action Plan designed to assist Affected Persons in the Bumbuna dam and reservoir area in the development of improved agricultural techniques; and

(kk) “Transmission Line Resettlement Action Plan” means the plan of the Recipient dated January 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, to be implemented by the Recipient under Part C of the Project pursuant to Section II (4) of Schedule 4 to this Agreement, acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons located in the area of the transmission line right-of-way from the power station switchyard at Bumbuna to the substation in Freetown, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the said plan;

(ll) “USCDI” means the “Upper Seli Community Driven Development Initiative”, to be implemented under Part D of the Project.
ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eight million three hundred thousand Special Drawing Rights (SDR 8,300,000).

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 for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made under Community Grants in respect of the reasonable costs of goods, works and services required for Community Subprojects.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be August 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts
shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in Dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on March and September in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, managerial, resettlement, social, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association’s approval.
Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) maintain in SLL, until the completion of the Project, a Project Account in a commercial bank acceptable to the Association, under terms and conditions satisfactory to the Association;

(b) promptly make an Initial Deposit into the Project Account in an amount of not less than SLL 300,000,000 to finance the Recipient’s initial contribution to the expenditures under the Project;

(c) thereafter, deposit into the Project Account on a quarterly basis such amounts as are estimated to be required at any given time for the ensuing three-month period and as shall be agreed upon between the Recipient and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance the Recipient’s contribution to the expenditures under the Project which are not otherwise financed from the proceeds of the Grant.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan for the future operation and sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

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

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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) retain, until at least one year after the Association has received the audit report for, or covering, 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;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in Section IV of Schedule 4 to this Agreement, the Recipient shall
prepare and furnish to the Association a financial monitoring report, in form and
substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both
cumulatively and for the period covered by said report, showing
separately funds provided under the Grant, and explains variances
between the actual and planned uses of such funds;

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

(iii) sets forth the status of procurement under the Project, as at the
end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than
45 days after the end of the first calendar quarter after the Effective Date, and shall cover
the period from the incurrence of the first expenditure under the Project through the end
of such first calendar quarter; thereafter, each FMR shall be furnished to the Association
not later than 45 days after each subsequent calendar quarter, and shall cover such
calendar quarter.

ARTICLE V

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (l) of the General Conditions, the
following additional events are specified:

(a) The Guarantee Agreement, the Indemnity Agreement or the Project
Agreements have been suspended or terminated;

(b) The Recipient has failed to perform any of its obligations under the
Indemnity Agreement, or the entities referred to in Recital (B) of this Agreement have
failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of this
Agreement, a situation has arisen which makes it improbable that the BHP will be carried
out.
Subject to subparagraph (ii) of this paragraph:

the right of the Recipient to withdraw the proceeds of the AfDB Grant or the Italian Grant made to the Recipient for the financing of the Project has been suspended, canceled or terminated in whole or in part, pursuant to the terms of, respectively, the AfDB Grant Agreement or the Italian Grant Agreement;

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under such 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

Effective Date; Termination

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

(a) the Guarantee Agreement, the Indemnity Agreement and the Project Agreements have been executed and delivered and all conditions precedent to their effectiveness, except only the effectiveness of this Agreement, have been fulfilled;

(b) the Recipient has adopted and furnished to the Association the PIP, in form and substance satisfactory to the Association;

(c) the Recipient has credited the Project Account with the Initial Deposit;

(d) the Recipient has enacted amendments to the National Power Authority Act, acceptable to the Association, to enable the establishment of the BHC;

(e) the Recipient has established a fully operational financial management system and procedures satisfactory to the Association;
(f) the PIU has been staffed with personnel in numbers and with qualifications and terms of reference satisfactory to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(g) the Recipient has appointed the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Indemnity Agreement and the Project Agreements have been duly authorized or ratified by the Recipient and the by the entities referred to in Recital (B) of this Agreement respectively, and are legally binding upon the Recipient and said entities in accordance with their terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for finance 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:

The Minister of Finance  
Ministry of Finance  
Freetown  
Sierra Leone

Facsimile:

(232) 228472

For the Association:

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

Cable address:  
Telex:  
Facsimile:

INDEVAS  
Washington, D.C.  
248423 (MCI) or  
64145 (MCI)  
(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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By  /s/ Ibrahim Kamara
    Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By  /s/ Mahmood Ayub
    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 proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>1,700,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(2) Works</td>
<td>1,150,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Consultants’ Services, including audits</td>
<td>2,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Community Grants</td>
<td>550,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(6) Operating costs</td>
<td>500,000</td>
<td>90%</td>
</tr>
<tr>
<td>(7) Refunding of Project Preparation Advance</td>
<td>1,400,000</td>
<td>Amount due pursuant to Section 2.02 (c) of this Agreement</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
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;

(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;

(c) the term “operating costs” means the incremental expenses incurred by the Recipient on account of Project implementation, management and monitoring, including, inter alia, printing, utilities, maintenance of office equipment, office rental and travel, but excluding salaries of civil servants; and

(d) the term “Training” means all costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Category (5) of the table set forth under paragraph 1 of this Schedule 1, for the first six Community Grants, unless the Association has received satisfactory evidence that each such Community Grant has been made in accordance with the provisions referred to in Section II (8) (a) of Schedule 4, and the respective Community Grant Agreement, on the terms and conditions specified in Section II (8) (b) of Schedule 4 to this Agreement and in the PIP, has been duly executed by and is binding on the parties thereto.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works costing less than $200,000 equivalent per contract; (b) goods costing less than $150,000 equivalent per contract; (c) services of consulting firms under contracts costing less than $100,000 equivalent per contract; (d) services of individual consultants costing less than $50,000 equivalent per contract; (e) training; (f) operating costs, and (g) Subprojects, all under such terms and conditions as the Association shall specify by notice to the Recipient.
5. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in completing the BHP in an environmentally and socially sustainable manner through the carrying out of measures to avoid, mitigate, reduce and/or offset the adverse environmental and social impacts of the BHP in the Project Area, and to enhance the environmental and social benefits to be derived from the BHP in the Project Area.

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

Part A. Environmental Management Plan

Carrying out of the environmental and social safeguard measures specified in the Environmental Management Plan.

Part B. Additional Environmental Studies

Carrying out of the Additional Environmental Studies and incorporating in the EMP of additional environmental safeguard measures identified under such studies.

Part C. Resettlement Action Plans


Part D. Upper Seli Community Development Initiative

Carrying out of a community driven development program designed to ensure that eligible communities in the Bumbuna reservoir area share in the benefits of the BH in a sustainable manner, through: (i) carrying out of Community Subprojects to be implemented by local communities for improved public services such as clearing and rehabilitation of smaller access roads, hand dug community wells and construction of latrines, management of organic waste, and rehabilitation of existing school buildings and health centers; (ii) carrying out of youth capacity building activities, including training programs for youth in marketable trade skills and business and life skills, and Community Subprojects to be carried out by community-based youth organizations; (iv) the operation
of the Catchment Stakeholders Forum referred to in Section I (7) (b) of Schedule 4 to this Agreement; and (v) provision of technical assistance for the establishment of the Bumbuna Trust designed to finance benefit sharing and community-driven development activities.

Part E. Project Management, Communication, Monitoring and Evaluation

1. Support to the Recipient for: (i) the day-to-day administration, procurement, financial management, monitoring and evaluation of the Project and for the implementation of the Communication Action Plan; and (ii) building the capacity of the Ministry of Energy and Power, the Ministry of Land, Housing, Country Planning and Environment, the BWMA and other concerned agencies for sustained implementation of the Project’s environmental and social safeguard measures.

2. Provision of technical and logistical assistance to the Dam Safety Review Panel and the Environmental and Social Advisory Panel for the carrying out of their functions related to the Project.

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The Project is expected to be completed by February 28, 2009.
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding

Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than $250,000 equivalent per contract, and goods estimated to cost less than $150,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions: (a) the bid will be advertised nation-wide; (b) bid award will go to the lowest evaluated responsive and qualified bidder; (c) registration or classification of contractors may be used for establishing bidder qualification or for preparing a list for use under price comparison
procedure but not as criteria for bidding; (d) with the exception of complex information systems, the merit point system shall not be used as the basis of bid evaluation; and (e) rejection of bids outside a range or “bracket” of bid values shall not be permitted.

2. **Shopping.** Works estimated to cost less than $50,000 equivalent per contract, and goods estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. **Community Participation.** Goods, works and services required for Community Subprojects may be procured on the basis of community participation in accordance with procedures specified in the PIP.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection.** Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Selection Under a Fixed Budget.** Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. Training

Training seminars, workshops, conferences and study tours financed out of the proceeds of the Grant shall be carried out on the basis of annual programs approved by the Association, identifying the scope and nature of training activities for the respective year, number of participants and cost estimates. Any training activities outside the territory of the Recipient shall be subject to prior approval by the Association.

Section V. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of $200,000 or more; (b) each contract for goods estimated to cost the equivalent of $150,000 or more; (c) the first two contracts procured on the basis of National Competitive Bidding and each contract procured on the basis of Direct Contracting; and (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.
SCHEDULE 4

Implementation Program

Section I. Institutional Arrangements

1. Technical Committee

The Recipient shall maintain, at all times during the implementation of the Project, a Technical Committee with functions, composition and resources satisfactory to the Association, for the purpose of ensuring prompt and efficient coordination among the ministries and agencies of the Recipient involved in the implementation of Project activities.

2. Project Implementation Unit

(a) The Recipient shall maintain within MoEP, at all times during the implementation of the Project, the PIU, with a mandate, terms of reference, staffing and resources satisfactory to the Association, and which shall be responsible for the day-to-day execution, financial management, procurement, monitoring and evaluation of the Project, and for building the capacity of MoEP, the Ministry of Environment, the BWMA and other concerned agencies for sustained implementation of the Project’s environmental and social safeguard measures.

(b) Without limitation to the foregoing, the PIU shall include at all times during the implementation of the Project, the following units composed of staff in numbers and with qualifications and terms of reference satisfactory to the Association: (i) an environmental safeguard management unit which shall be responsible for the implementation of the EMP and for monitoring compliance with the Contractors’ EMPs and the World Bank’s applicable environmental, health and safety guidelines; (ii) a resettlement unit which shall be responsible for the implementation of the RAPs as well as the resettlement and compensation activities to be financed out of Bumbuna Trust pursuant to Section III (4) of this Schedule; (iii) an accounting and procurement unit; (iv) a communication unit; and (v) a monitoring and evaluation unit.

3. Bumbuna Watershed Management Authority

(a) Not later than October 31, 2006, the Recipient shall establish and thereafter maintain the BWMA with a mandate, functions, staffing and resources satisfactory to the Association.
(b) Without limitation to the foregoing, BWMA shall be responsible for environmental management in the Bumbuna watershed and for implementing the measures specified in the BWMP.

4. **MoEP Environmental and Social Unit**

   Not later than December 1, 2008, the Recipient shall establish and thereafter maintain within the MoEP an environmental and social unit, with a mandate, functions, staffing and resources satisfactory to the Association, for the purpose of sustained implementation of the Project’s environmental and social safeguard measures.

5. **Dam Safety Review Panel**

   (a) The Recipient shall maintain, until at least 6 months after full impoundment of the Bumbuna dam, the DSRP in form and with terms of reference, composition and resources satisfactory to the Association, for the purpose of reviewing and advising the Recipient on matters relative to safety and other critical aspects of the Bumbuna hydroelectric dam.

   (b) The Recipient shall promptly provide to the Association a copy of each report prepared by the DSRP, and shall make such reports publicly available.

6. **Environmental and Social Advisory Panel**

   (a) The Recipient shall maintain, until at least five years after the commencement of operation of the Bumbuna dam, the ESAP in form and with terms of reference, composition and resources satisfactory to the Association, for the purpose of reviewing and advising the Recipient on all environmental and social aspects of the Project.

   (b) The Recipient shall promptly provide to the Association a copy of each report prepared by the ESAP, and shall make such reports publicly available.

7. **USCDI Steering Committee; Stakeholders Catchment Forum**

   (a) The Recipient shall maintain, at all times during the implementation of the Project, the USCDI Steering Committee with a mandate, terms of reference, staffing and resources satisfactory to the Association, for the purpose of providing guidance and coordination for the USCDI, which shall be chaired and supported by the Decentralization Secretariat of the Ministry of Local Government and Community Development.
(b) The Recipient shall organize a Catchment Stakeholder Forum with a mandate, functions and composition satisfactory to the Association for the purpose of addressing concerns and issues related to the establishment of the Bumbuna Trust, consisting of governmental, non-governmental and civil society stakeholders from districts involved in the USCDI and national stakeholders, and which shall meet at least once a year on the day preceding a USCDI Steering Committee meeting.

Section II. Implementation Arrangements

1. Project Implementation Plan

(a) The Recipient shall adopt a PIP in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day implementation of the EMP, including the Additional Environmental Studies, and the RAPs; (ii) capacity building activities for sustained implementation of the Project’s environmental and social management measures; (iii) monitoring of compliance with the Contractors’ EMPs and the World Bank’s applicable environmental, health and safety guidelines; (iv) a Community Subprojects manual defining eligibility criteria, environmental and social screening guidelines, and approval and administration arrangements for Subprojects together with a sample Community Grant Agreement format; (v) disbursement and financial management; (vi) procurement; (vii) monitoring, evaluation and reporting; and such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

(b) The Recipient shall carry out the Project in accordance with the arrangements and procedures set out in PIP, and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Environmental Management Plan

(a) The Recipient shall implement the Project, and shall implement, or cause the dam and transmission line construction, operation, maintenance and management contractors, to be contracted under the BHP, to implement the BHP, in accordance with the EMP, and shall not amend, abrogate or waive any provision of the EMP without the prior concurrence of the Association.

(b) Without limitation upon the foregoing, the EMP shall include: (i) construction phase environmental and social mitigation and monitoring activities; (ii) a plan for monitoring and mitigation of public health impacts of diseases such as
bilharzias, malaria and HIV/AIDS; (iii) a reservoir clearance plan; (iv) a plan for the establishment and implementation of an environmental and social amenity flow; (v) a plan for the management of water quality in the reservoir area, (vi) an environmental monitoring program; (vii) establishment and management of the Bumbuna Conservation Area, (viii) preparation and implementation of the Bumbuna Watershed Management Plan consisting of (A) a community awareness program, (B) a land and soil management program, (C) an agro forestry and forestry program, (D) a downstream and a reservoir fisheries management program, (E) an agricultural development program, and (F) an ecological and ecotourism survey; and (ix) the additional environmental safeguard measures identified as a result of the Additional Environmental Studies, as they become available.

3. Additional Environmental Studies

(a) The Recipient shall carry out the Additional Environmental Studies, in accordance with terms of reference and timetable acceptable to the Association, for the purpose of further identification and incorporation in the EMP of additional environmental safeguard measures to avoid, mitigate, reduce and/or offset the adverse environmental impacts of the BHP in the Project Area, and enhance the environmental benefits to be derived from the BHP to mitigate the impacts of BHP in the Project Area.

(b) Without limitation to the foregoing, the Additional Environmental Studies shall include: (i) a chimpanzees and other primates study and monitoring program; (ii) a fish study; (iii) a small mammal survey; (iv) an amphibian and reptile survey; (v) a butterfly survey; (vi) a bird survey; (vii) a flora survey; (viii) an archeological study; (ix) a study on the Bumbuna Conservation Area; and (x) such other studies as may be required by the Association for the purpose of devising additional safeguard measures related to the BHP.

(c) The Recipient shall ensure that: (i) the Additional Environmental Studies are prepared through a process of public disclosure and consultation satisfactory to the Association; (ii) the Additional Environmental Studies are submitted to the Association for its review and approval; and (iii) upon such approval, the specific mitigation measures identified in the Additional Environmental Studies are incorporated into the EMP in a manner and in a form and substance satisfactory to the Association.

4. Resettlement Action Plans

(a) The Recipient shall ensure that the Project is implemented in accordance with the guidelines, procedures, timetable and other specifications set forth in the Dam and Reservoir Resettlement Action Plan and the Transmission Line Resettlement Action Plan.
Plan, and shall not amend, abrogate or waive any provision of the aforementioned plans without the prior concurrence of the Association.

(b) Without limitation to the foregoing, for the purpose of implementing the RAPs the Recipient shall, *inter alia*:

(i) maintain at all times during the implementation of the RAPs the Resettlement Advisory Group, composed of representatives of the PIU, the Recipient’s ministries and agencies involved in Project implementation, NGOs involved in resettlement activities, vulnerable groups, villages and communities, which shall convene each month during the implementation of the RAPs to review resettlement and compensation activities and results and advise the Recipient of recommended actions; and

(ii) take all measures necessary to ensure that the Village Resettlement Committees, composed of and representing Affected Persons in each village in the dam and reservoir area, are actively and regularly consulted and involved in the determination of all matters and grievances related to compensation of lost land and identification and preparation of replacement land;

5. **Communication Action Plan**

The Recipient shall carry out the Project in accordance with the CAP and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

6. **Contractors’ EMPs and Other Plans**

(a) The Recipient shall cause the dam and transmission line construction, operation, maintenance and management contractors, to be contracted under the BHP, to develop environmental management plans based on the EMP, in a manner and in form and substance satisfactory to the Association, and shall cause the said contractors to implement all construction, operational, maintenance and managerial activities related to the BHP: (i) in accordance with the environmental, health, safety and social guidelines, measures and procedures specified in the Contractors’ EMPs, and (ii) all environmental and social safeguard obligations undertaken by the said contractors pursuant to the contractual agreements entered into between the Recipient and the said contractors.
(b) Without limitation to the foregoing, the Recipient shall prepare, or shall cause the said contractors to prepare, and thereafter implement: (i) the Emergency Preparedness Plan setting out measures to deal with a major flood event or incipient dam failure; (ii) the Dam Safety Plan setting out dam safety measures to be followed during the commissioning and operation and maintenance of the Bumbuna dam; and (iii) the Impoundment Plan setting out measures to be completed before test and final reservoir impoundment begins and the procedures for impoundment to account for technical, safety, environmental and social concerns; all said plans to be prepared in a manner and in form and substance satisfactory to the Association.

7. Independent Monitoring

The Recipient shall contract non-governmental organizations, on terms of reference acceptable to the Association, to: (i) monitor the implementation of resettlement and compensation activities under the RAPs, the EMP and the Contractors' EMPs; (ii) provide legal aid to Affected Persons; and (iii) carry out the LAIR program.

8. Community Grants

(a) The Recipient shall appraise, approve, and monitor the Community Subprojects, and administer the Community Grants in accordance with the provisions and procedures set forth in this paragraph 7 and in more detail in the PIP.

(b) Without limitation to the foregoing, a Community Subproject shall be carried out pursuant to a Community Grant Agreement, to be concluded between the respective district council, on behalf of the Recipient, and the Beneficiary, under terms and conditions described in more detail in the PIP and satisfactory to the Association, which, inter alia, shall include the following:

(i) the obligation of the Beneficiary to contribute, in cash, labor or in-kind, at least 10% of the projected Community Subproject costs;

(ii) the obligation of the Beneficiary to: (A) carry out the Community Subproject with due diligence and efficiency and in accordance with sound environmental, engineering, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Community Subproject;
the requirement that the goods, works and consultants’ services to be financed from the proceeds of the Community Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the Community Subproject; and

(iv) the right of the district council, on behalf of the Recipient, and of the Recipient in its own right, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Community Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of Community Subprojects; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the Community Grant upon failure by the Beneficiary to perform any of its obligations under the Community Grant Agreement.

(c) The respective district council shall exercise its rights under the Community Grant Agreement in such manner as to protect its interests and the interests of the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the district council shall not assign, amend, abrogate or waive the Community Grant Agreement or any substantial provision thereof.

Section III. Other Undertakings

1. Pre-Impoundment Measures

The Recipient shall not conduct or permit any impoundment of the Bumbuna dam reservoir, prior to:

(a) the clearance of forest biomass in the area to be impounded in accordance with the Reservoir Clearance Plan;

(b) the completion of the Additional Environmental Studies specified in items (i) through (viii) of Section II (3) (b) of this Schedule, all satisfactory to the Association;
(c) the preparation of the dam construction contractors’ EMPs, the Emergency Preparedness Plan, the Dam Safety Plan, the Impoundment Plan including the provision of minimum required flow releases during impoundment as specified in the Impoundment Plan and, prior to full impoundment, the Environmental and Social Amenity Flow Plan, all satisfactory to the Association;

(d) the completion in a manner satisfactory to the Association of all other environmental safeguard measures included in the EMP and the dam construction contractors’ EMPs, which, under the terms of the EMP and the dam construction contractors’ EMPs or in the opinion of the Association, are required to be completed prior to commencement or completion of impoundment of the reservoir including, *inter alia*, measures designed to protect habitat for the chimpanzee population, other primates and other biodiversity in the Bumbuna watershed as well the establishment of the Bumbuna Watershed Management Authority and the Bumbuna Conservation Area;

(e) the submission to the Association of evidence satisfactory to it that all Affected Persons in the Bumbuna dam and reservoir area: (i) who will lose land below 50% impoundment level have been resettled and compensated in a manner satisfactory to the Association in accordance with the provisions of the Dam and Reservoir RAP prior to impoundment at such level; and (ii) who will lose land above 50% impoundment level have been resettled and compensated in a manner satisfactory to the Association in accordance with the provisions of the Dam and Reservoir RAP prior to impoundment at such level; and

(f) the submission to the Association of a report from the ESAP and the DSRP advising that all studies and measures necessary to avoid irretrievable loss of resources or irreversible effects have been carried out in a manner satisfactory to the ESAP and the DSRP.

2. Operation of Transmission Lines

The Recipient shall not conduct or permit any energizing and operation of the transmission lines from the Bumbuna dam to the city of Freetown prior to the submission to the Association of evidence satisfactory to it that all Affected Persons in the transmission line area, except for the Affected Persons in the transmission line area impacted by past resettlement referred to in paragraph 4 (b) (ii) of this Section, have been resettled and compensated in accordance with the provisions of the Transmission Line RAP.
3. **Bumbuna Conservation Area**

   Not later than October 31, 2006, the Recipient shall establish and thereafter maintain the Bumbuna Conservation Area, in a manner and form satisfactory to the Association for the purpose of preserving and protecting biodiversity in the Bumbuna watershed.

4. **Bumbuna Trust**

   (a) Prior to commissioning of the Bumbuna dam, the Recipient shall establish and thereafter maintain the Bumbuna Trust, for purposes, on terms and conditions and with funding sources acceptable to the Association.

   (b) Without limitation to the foregoing, the Bumbuna Trust shall be designed to finance: (i) community development activities targeted to communities in the Project Area; and (ii) a plan for compensation of Affected Persons in the transmission line area impacted by past resettlement activities in connection with the BHP who are not compensated under the Transmission Line RAP; (iii) the operation of the Bumbuna Watershed Management Authority and the Bumbuna Conservation Area; and (iv) the implementation of other measures required for the environmentally and socially sustainable management of the BHP.

**Section IV. Monitoring, Evaluation and Reporting Arrangements**

1. The Recipient shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 7 to this Agreement and in more detail in the PIP, the carrying out of the Project and the achievement of its objectives;

   (b) submit and promptly review with the Association, during the first year of implementation of the Project, quarterly consolidated reports, and thereafter on or about June 1 and December 1 of each year, bi-annual consolidated reports, covering: (i) public consultation and participation activities for purposes of the Project; and (ii) compliance with all social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the EMP, Contractors’ EMPs, RAPs and, as they become available, the Additional Environmental Studies, and of any conditions which interfere or threaten to interfere with the smooth implementation of the said plans and studies, and remedial measures taken or required to be taken to address such conditions;
(c) on or about November 1, 2007, submit to the Association a midterm report on the progress of the Project in such detail as the Association shall reasonably request, and no later than one month thereafter undertake in conjunction with the Association and other stakeholders and interested parties, a midterm review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Recipient of its obligations under this Agreement, having regard to the performance indicators referred to in subparagraph (a) above; and

(d) following the quarterly, bi-annual and midterm reviews, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Recipient and the Association in furtherance of the objectives of the Project.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1) through (6) 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 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 $1,000,000 to be withdrawn from the 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 Association 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 Association 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 Association 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

   (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association 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 Association
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 Association from the Grant Account under the respective 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Association 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

   (c) if, at any time, the Association 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 Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

   (a) The term “Borrower” is modified to read “Recipient”.

   (b) The term “Credit” is modified to read “Grant”.

   (c) The term “Credit Account” is modified to read “Grant Account”.

   (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Section 1.01 is modified to read as follows:

   “Section 1.01. Application of General Conditions

   These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

   “3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:

(a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

(b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. Currencies in which Payments are to be Made

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”
7. Article VI is modified as follows:

(a) The word “credit” in paragraphs (a) (ii) and (c) (i) of Section 6.02 is replaced with the words “credit, grant or financing”.

(b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

8. Section 8.01 (a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

9. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”
SCHEDULE 7

Key Performance Indicators


2. Environmental and Social Management Unit in MoEP established and operational by December 1, 2008.


4. Environmental management monitoring system developed by the date of effectiveness of the Grant.

5. 60 percent increase of the targeted watershed area under improved agricultural conservation practice by the end of the Project.

6. 80 percent increase of income of involved households with new income generating activities (forestry, fisheries, agriculture, soap making, carpentry, etc) by the end of the Project.

7. 100 percent of Affected Persons resettled as per definition in OP 4.12 by the end of the Project.

8. A biodiversity index to be established under the Additional Environmental Studies, acceptable to the Association, does not reduce by the end of the Project.