

CONFORMED COPY

RFT GRANT NUMBER TF21953 BR

Rain Forest Trust Fund Grant Agreement

(Indigenous Lands Project)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

**acting as Trustee of the
Rain Forest Trust Fund**

Dated July 6, 1995

RFT GRANT NUMBER TF21953

RAIN FOREST TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 6, 1995, between FEDERATIVE REPUBLIC OF BRAZIL
(the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND

DEVELOPMENT (the Bank) acting as trustee of grant funds provided by certain members of the Bank and by the Commission of the European Communities (the CEC) into the Rain Forest Trust Fund (RFT) (the Bank in such capacities to be referred to as the Trustee).

WHEREAS (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 92-2 of March 24, 1992, of the Executive Directors of the Bank (the Resolution), established the RFT to assist in the financing of a pilot program (the Pilot Program) with the overall objective of maximizing the environmental benefits of Brazil's rain forests in a manner consistent with its developmental goals through the implementation of a sustainable development approach that will contribute to a continuing reduction of the rate of deforestation of such forests;

WHEREAS (B) certain members of the Bank and the CEC (the Donors) have agreed to provide resources by way of grants into the RFT and the Donors have requested the Bank, and the Bank has agreed, to administer such grant funds as trustee, for the purposes of, and in accordance with the provisions of the Resolution;

WHEREAS (C) the Recipient has appointed its Ministry of Environment, Water Resources and Legal Amazon (the MMA) as its agency responsible for the coordination of the Pilot Program on its behalf;

WHEREAS (D) the Recipient, through MMA, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the RFT in the financing of the Project;

WHEREAS (E) the Trustee has determined that the RFT's financial assistance (the RFT Grant) would be in accordance with the provisions of the Resolution;

WHEREAS (F) the Recipient intends, with the support of the Trustee, to contract with the Kreditanstalt für Wiederaufbau (the KfW Agreement) additional funds from the Federal Republic of Germany for the purposes of further financing the Project (the KfW Grant), on terms and conditions set forth in the KfW Agreement;

WHEREAS (G) the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the RFT Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;

- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (d), (e), (f), (g), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (viii) Sections 10.01, 10.03 and 10.04;
 - (ix) Article XI; and
 - (x) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee;
 - (ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement and the term "loan agreement" means any Rain Forest Trust Fund grant agreement between the Recipient and the Trustee;
 - (iv) the term "Loan", wherever used in the General Conditions, means the RFT Grant;
 - (v) the term "Loan Account", wherever used in the General Conditions, means the RFT Grant Account, the account opened by the Trustee on its books in the name of the Recipient to which the amount of the RFT Grant is credited; and
 - (vi) paragraph (d) of Section 6.02 shall read as follows:
- "(d) The Trustee shall have suspended in whole or in part the right of the Recipient to make withdrawals under any grant agreement between the Recipient and the Trustee providing for a grant out of the proceeds of the Rain Forest Trust Fund, because of a failure by the Recipient to perform any of its obligations under such agreement."

Section 1.02. Wherever used in this Agreement, 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) "Administrative Expenses" means the incremental costs and expenses, acceptable to the Trustee, incurred by FUNAI (as hereinafter defined) in the implementation, monitoring, supervision and evaluation of the Project, including, but not limited to, goods (office equipments and supplies), consultants' services, travel, per diem, and communication costs;

(b) "Annual Operating Plan" means each of the plans referred to in Section 3.02 of this Agreement;

(c) "FUNAI" means the Fundação Nacional do Índio, a public foundation established pursuant to the Recipient's Law 5,371 of December 5, 1967, or its successor, satisfactory to the Trustee;

(d) "Implementation Agreement" means the agreement referred to in Section 3.01 (b) of this Agreement;

(e) "Legal Amazon" means the area defined in the Recipient's Law 5,374 of December 7, 1967, within which the Brazilian Floresta Amazônica, referred to in Paragraph 4 of Article 225 of the Brazilian Constitution, is located;

(f) "PCC" means the project consultative commission referred to in Section 3.01 (b) (iii) of this Agreement;

(g) "Resettlement and/or Compensation Plan" means each of the resettlement and/or compensation plans referred to in Section 3.02 (b) (ii);

(h) "Sectoral Resettlement and Compensation Principles" means the document establishing the overall policies for resettlement and/or compensation of non-Indian populations under the Project, set forth in the letter from the Recipient to the Trustee dated February 23, 1995;

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

(j) "SPCU" means the FUNAI's Coordenação de Projetos Especiais, the unit responsible for the coordination of projects; and

(k) "TC" means the technical coordination unit established pursuant to FUNAI's Portaria 635, of July 7, 1994.

ARTICLE II

The RFT Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the RFT Grant in the amount of two million

one hundred thousand Dollars (\$2,100,000).

Section 2.02. (a) The amount of the RFT Grant may be withdrawn from the RFT Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Trustee 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 RFT Grant.

(b) The Recipient shall, for the purposes of the Project, open and maintain in Dollars a special deposit account for the RFT Grant (the Special Account), in a commercial bank acceptable to the Trustee, on terms and conditions satisfactory to the Trustee, 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 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

Section 2.04. The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purposes of the Project from the Donors, as referred to in Clause (B) of the Preamble to this Agreement.

Section 2.05. The President of FUNAI, or the person or persons designated in writing by such President, are designated as representatives of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a) of this Agreement and Article V of the General Conditions.

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 cause FUNAI to carry out the Project under the coordination of MMA; all with due diligence and efficiency and in conformity with appropriate administrative, engineering, resettlement, compensation, managerial, personnel and financial practices with due regard to ecological and environmental factors, and in accordance with the Annual Operating Plans, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall, through MMA, enter into an agreement with FUNAI, satisfactory to the Trustee (the Implementation Agreement), such agreement to provide, inter alia, that FUNAI shall:

- (i) maintain the SPCU with responsibilities, structure and functions, all satisfactory to the Trustee, and with management and staff in adequate numbers and with adequate qualifications, for the purposes of, inter alia, providing overall supervision of the Project and technical advice to the TC;

- (ii) maintain the TC with responsibilities, structure and functions, all satisfactory to the Trustee, and with management and staff in adequate numbers and with adequate qualifications, for the purposes of the carrying out of the Project; and
- (iii) establish and thereafter maintain a consultative commission for the Project (the PCC), with responsibilities, structure and functions, all satisfactory to the Trustee, and with members in adequate numbers and with adequate qualifications, for the purpose of advising FUNAI in, and assessing, the Project implementation.

Section 3.02. (a) Not later than November 30 of each year of Project implementation, the Recipient shall furnish to the Trustee: (i) an annual plan (the Annual Operating Plan), satisfactory to the Trustee, describing, inter alia, the Project activities to be carried out during the next calendar year and including information based on the monitoring indicators set forth in the letter from the Recipient to the Trustee dated February 23, 1995; and (ii) evidence, satisfactory to the Trustee, that the Recipient shall have allocated, in its budget proposal for the next calendar year, the amounts necessary for the carrying out of the Project during such year;

(b) whenever an Annual Operating Plan provides for demarcation activities under the Project, within indigenous areas where resettlement of non-Indian populations may be required, the Recipient shall include in the Annual Operating Plan a study, under terms of reference satisfactory to the Trustee, to confirm the need for such resettlement and, if such need is confirmed, to provide a preliminary resettlement plan which shall include the costs and the potential financial sources related to such resettlement; and

(c) whenever an Annual Operating Plan provides for demarcation activities under the Project within indigenous areas where: (i) resettlement of non-Indian Populations is required as confirmed by the study referred to in paragraph (b) above; or (ii) compensation of non-Indian populations is required; the Recipient shall, before beginning the demarcation activities under Part A of the Project for the relevant area, furnish to the Trustee, and thereafter carry out in a manner satisfactory to the Trustee, a time-bound specific resettlement and/or compensation plan, as the case may be, satisfactory to the Trustee (the Resettlement and/or Compensation Plan), for the non-Indian populations in the relevant area, such plan to be based on the Sectoral Resettlement and Compensation Principles, and, whenever applicable, on the study referred to in paragraph (b) above related to such area, and to include evidence, satisfactory to the Trustee, that all necessary inter-institutional arrangements, satisfactory to the Trustee, to implement such plan shall have been made.

Section 3.03. Without limitation to Section 9.07 of the General Conditions, the Recipient shall, not later than February 28 and August 31 of each year during the Project implementation, furnish to the Trustee semi-annual reports on the progress in the implementation of the Project during the previous six months, of such scope and in such detail as the Trustee shall reasonably request.

Section 3.04. Without limitation to Section 3.01 of this Agreement, the Recipient shall carry out Part B of the Project in accordance with the letter from the Recipient to the Trustee dated February 23, 1995.

Section 3.05. The Recipient shall, not later than June 30, 1995, furnish to the Trustee

terms of reference, satisfactory to the Trustee, for the carrying out of the legal and policy studies under Part C (c) (iii) of the Project.

Section 3.06. Without limitation to Section 9.01 of the General Conditions, the Recipient, through MMA, shall:

(a) in the month of September of each year of Project implementation, hold annual reviews jointly with the Trustee and FUNAI, such reviews to be based on the reports referred to in Section 3.03 of this Agreement, and to focus, inter alia, on the overall implementation of the Project; and

(b) take or cause to be taken all such action which shall have been agreed upon by the Recipient and the Trustee during the reviews referred to in paragraph (a) above, as necessary for the efficient execution of the Project or the achievement of its objectives, such action to be taken in the manner and within the timetable agreed upon during such reviews.

Section 3.07. Without limitation to Sections 9.07 (a) (iii) and (c), the Recipient, through MMA, shall:

(a) in the month of September 1997 and in the sixth month after the completion of the Project, furnish to the Trustee an evaluation report prepared by an independent consultant with qualifications and experience satisfactory to the Trustee (the mid-term report and the final report, respectively) assessing the overall implementation of the Project, such reports to be based on the terms of reference referred to in paragraph (b) and on the baseline study referred to in paragraph (c) of this Section;

(b) not later than July 15, 1995, furnish to the Trustee terms of reference, satisfactory to Trustee, for the carrying out of the mid-term report, the final report and the baseline study referred to in paragraph (c) below; and

(c) not later than December 31, 1995, furnish to the Trustee a baseline study on the Project prepared in accordance with the terms of reference referred to in paragraph (b) above.

Section 3.08. The Recipient shall exercise its rights and comply with its obligations, under the Implementation Agreement in such a manner as to protect the interests of the Trustee and to accomplish the purposes of the RFT Grant, and, except as the Trustee shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Implementation Agreement, or any provision thereof.

Section 3.09. Except as the Trustee shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the RFT Grant shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices its

operations, resources and expenditures in respect of the Project.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;
- (ii) furnish to the Trustee as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested;
- (iii) furnish to the Trustee monthly certified statements of the Special Account; and
- (iv) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the RFT Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Trustee has received the audit report for the fiscal year in which the last withdrawal from the RFT Grant Account were made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (a) that FUNAI shall have failed to perform any of its obligations under the

Implementation Agreement; and

- (b) (i) subject to subparagraph (ii) of this paragraph 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; and
- (ii) subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Trustee 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. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that the PCC has been established;
- (b) that the Implementation Agreement has become effective; and
- (c) that the Annual Operating Plan for the first year of Project implementation has been furnished to the Trustee.

Section 6.02. The date October 6, 1995 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Procuradoria Geral da Fazenda Nacional
Esplanada dos Ministérios - Bloco "P" - 8o. andar

70.048-900 Brasília - D.F.
Brazil

Cable address:

Telex:

MINIFAZ
Brasília,
Brazil

611506

For the Trustee:

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

Cable address: Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT),
248423 (RCA),

64145 (WUI)

With copies to:

Ministério do Meio Ambiente e da
Amazônia Legal
Esplanada dos Ministérios, Bloco "B" - 5 andar
70.068-900 Brasília, D.F.
Brazil

Telex:

061-1584

Secretaria de Assuntos Internacionais
Secretaria de Planejamento, Orçamento e
Coordenação da Presidência da República
Esplanada dos Ministérios, bloco "K" - 5 andar
70.040-906 Brasília, D.F.
Brazil

Telex:

061-1146

Fundação Nacional do Índio
Setor de Rádio e Televisão - SRTVS
Bloco "A", Ed. Lex, 3 andar
70.340-904 Brasília, D.F.

Brazil

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.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Denio Silva de Cardoso

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT as
Trustee of the Rain Forest Trust Fund

By /s/ Gobind T. Nankani

Director, Country Department I
Latin America and the Caribbean Region

SCHEDULE 1

Withdrawal of the Proceeds of the RFT Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the RFT Grant, the allocation of the amounts of the RFT Grant to each Category and the percentage of expenditures for items so to be financed in each Category: conditions as the Trustee shall specify by notice to the Recipient.

<u>Category</u>	<u>Amount of the RFT Grant Allocated</u>	<u>% of Expenditures to be Financed</u>
(1) Goods for Part C of the Project	160,000	100%
(2) Consultants' services and training for	690,000	100%

Part C of the Project

(3)	Administrative Expenses		
	(i) Goods	60,000	100%
	(ii) Consultants' services	410,000	100%
	(iii) other	430,000	100%
(4)	Unallocated	350,000	
	TOTAL	2,100,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures, under the Project, unless such expenditures shall have been included in the relevant Annual Operating Plan.

3. The Trustee may require withdrawals from the RFT Grant Account to be made on the basis of statement of expenditures under contracts for goods and Administrative Expenses, for services of consulting firms not exceeding sixty thousand Dollars (\$60,000) equivalent and for services of individual consultants not exceeding thirty thousand Dollars (\$30,000) equivalent, under such terms and conditions as the Trustee shall specify by notice to the Recipient.

4. Notwithstanding the provisions of paragraph 1 above, if the Trustee shall have determined at any time that any payments from the RFT Grant Account were used for an expenditure not eligible for financing under this Schedule or used in any manner contrary to the provisions of this Agreement, the Recipient shall, promptly upon notice, and, according with the instructions from the Trustee, refund to the Trustee, for deposit in the RFT Grant Account an amount equal to the amount so used or the portion thereof specified by the Trustee.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the conservation of natural resources in selected indigenous areas and increase the well-being of indigenous peoples in such areas through: (i) regularization of indigenous lands in the Legal Amazon; and (ii) improving the protection of indigenous populations and areas.

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

Part A: Regularization of Indigenous Lands

Identification, delimitation, demarcation and regularization of selected indigenous areas located in the Legal Amazon states, except the states of Rondônia and Mato Grosso, including the development and implementation of environmental diagnostics.

Part B: Surveillance and Protection of Indigenous Areas

Development and implementation of community-based plans for surveillance and protection of indigenous areas, including, inter alia, the establishment of control bases, improvement of communications facilities and other protective measures.

Part C: Institutional Strengthening of FUNAI

Institutional strengthening of FUNAI through the following activities: (a) implementation of a geographic information system to improve the monitoring of indigenous lands, and training; (b) provision of courses in indigenous issues for field staff of FUNAI and other public and private institutions; (c) carrying out of studies on: (i) environmental diagnostic methodology for identification of indigenous areas; (ii) alternative methods of demarcation, including the planting of marker species along boundaries; and (iii) legal and policy issues related to indigenous rights and natural resources management in indigenous areas.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Administrative Expenses

Part A: Local Competitive Bidding

1. Except as provided in Part B hereof, goods, and supplies and services under Administrative Expenses shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Trustee.
2. In the procurement of goods, and supplies and services under Administrative Expenses pursuant to this Part A, the Recipient shall use the model bidding documents agreed with the Trustee.

Part B: Other Procurement Procedures

Goods, and supplies and services under Administrative Expenses estimated to cost the equivalent of \$100,000 or less, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures acceptable to the Trustee.

Part C: Special Provisions

Without limitation to any other provisions set forth in this Schedule or the Guidelines, the following shall apply to the procurement of goods and/or works to be undertaken pursuant to Part A hereof:

1. Contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such qualification shall be disclosed in the invitation to bid.
2. Whenever required by the Trustee, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil.
3. The arrangements, under the invitation to bid, for a joint-venture (consórcio) of Brazilian and foreign firms shall be approved in advance by the Trustee in each case.
4. The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.
5. The purchaser shall not, without the Trustee's prior approval, issue any change order under a contract which would increase or decrease by more than 15% the quantity of goods (and related services) without any change in the unit prices or other terms and conditions of sale.

Section II. Employment of Consultants

1. In order to assist the Recipient and FUNAI in the carrying out of the Project, the Recipient shall employ, or cause FUNAI to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Recipient shall employ, or cause FUNAI to employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank for the use of its borrowers, with such modifications as shall have been agreed by the Trustee. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Trustee.
2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Trustee review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$60,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$30,000 equivalent each. However, said exceptions to prior Trustee review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature as reasonably determined by the Trustee; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$60,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the RFT Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means the amount of \$150,000, to be withdrawn from the RFT Grant Account and deposited into the Special Account pursuant to paragraph 4 (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. Any earnings arisen from available funds in the Special Account shall be used, unless otherwise agreed with the Trustee, solely for the purpose of financing the Project.

4. After the Trustee has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocations 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 Trustee a request or requests for deposits which do not exceed the respective aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf of the Recipient, withdraw from the RFT Grant Account and deposit in the Special Account such amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the RFT Grant Account and deposit into the Special Account such amounts 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 Trustee from the RFT Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

6. Notwithstanding the provisions of paragraph 4 of this Schedule, the Trustee shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the RFT Grant to the eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the respective Authorized Allocation.

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

7. (a) If the Trustee 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 Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee 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 Trustee 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 Trustee, refund to the Trustee such outstanding amount.

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

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

