

CONFORMED COPY

GEF GRANT NUMBER TF 028362
GEF Trust Fund Grant Agreement
related to Loan Number 4198 IND

Global Environment Facility Trust Fund Grant Agreement
(Renewable Energy Small Power Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated August 4, 1997

GEF GRANT NUMBER TF028362
GEF Trust Fund Grant Agreement
related to Loan Number 4198 IND

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated August 4, 1997, between Republic of Indonesia (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94 2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, 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 GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) the Recipient has also requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank, the Bank has agreed to provide such assistance in an aggregate principal amount equal to sixty six million four hundred thousand Dollars (\$66,400,000) (the Loan); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements 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;
- (18) and (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (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;
- 6.04 and 6.06; (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Section 12.04.

(b) The General Conditions shall be modified as follows:

(i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) 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 Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

(iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vii) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

(viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."; and

(ix) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account shall have been suspended with respect to any amount of the GEF Trust Fund Grant for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Recipient, that an amount of the GEF Trust Fund Grant will not be required to finance the Project's costs to be financed out of the proceeds of the GEF Trust Fund Grant, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the GEF Trust Fund Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the GEF Trust Fund Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the GEF Trust Fund Grant is inconsistent with the procedures set forth or referred to in the GEF Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (e) after the Closing Date, an amount of the GEF Trust Fund Grant shall remain unwithdrawn from the GEF Trust Fund Grant Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the GEF Trust Fund Grant, the Bank may, by notice to the Recipient and the Guarantor, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the GEF Trust Fund Grant shall be canceled."

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

(a) "Developer" means a developer of a small power project to which the Recipient proposes to make or has made a Subgrant.

(b) "DGEED" means the Directorate General of Electricity and Energy Development in the Recipient's Ministry of Mines and Energy.

(c) "Fiscal Year" means the twelve (12) month period corresponding to any of the Recipient's fiscal years, which period commences on April 1 and ends on March 31 in each calendar year.

(d) "Loan Agreement" means the agreement of even date herewith between the Recipient and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(e) "PLN" means Perseroan Terbatas Perusahaan Perseroan (PERSERO) P.T. Perusahaan Listrik Negara, a limited liability company established and existing under

the laws of the Recipient, and includes any successor or successors thereto.

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

(g) "Subgrant" means the portion of the proceeds of the GEF Trust Fund Grant provided by the Recipient to a Developer in accordance with Section 3.05(a) and paragraphs A.1 and A.2 of Schedule 4 to this Agreement.

(h) "SP Subproject" means a specific investment project for the development of a small power project under Part A.1 of the Project

(i) "PSKSK Regulation" means the regulation to promote participation of the private sector and cooperatives in the development and operation of small renewable energy power plants, including PLN's published small power purchase tariff and standard simplified power purchase contract governing the sales of electricity produced by small power projects to PLN.

(j) "Pre-Investment Activities" means the conduct of pre-feasibility and feasibility studies with respect to an SP Subproject under Part A.2 of the Project.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to three million Special Drawing Rights (SDR 3,000,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for carrying out Parts A.2 and B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Bank Indonesia or a commercial bank on terms and conditions satisfactory to the Bank, including, in the case of a commercial bank, appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be October 31, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project 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 and engineering practices and with due regard to ecological and environmental factors, 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 Bank shall otherwise agree, the Recipient shall carry out Parts A.2 and B of the Project through DGEED in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. The Recipient shall make available to Developers out of the proceeds of the GEF Trust Fund Grant amounts allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under a subsidiary grant agreement between the Recipient and each Developer to which a

Subgrant is made or is proposed to be made, under terms and conditions which shall have been approved by the Bank, which shall include the terms and conditions set forth in paragraph A.2.(c) of Schedule 4 to this Agreement.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the consultants' services required for Parts A.2 and B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

Section 3.05. (a) The Recipient undertakes that, unless the Bank shall otherwise agree, Subgrants will be made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraph A.2 of Schedule 4 to this Agreement.

(b) The Recipient shall exercise its rights in relation to each Subgrant in such manner as to:

- (i) protect the interests of the Recipient and the Bank;
- (ii) comply with its obligations under this Agreement; and
- (iii) accomplish the purposes of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments, agencies or entities of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

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

expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank'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.

Section 4.02. Except as the Bank shall otherwise agree, the Recipient shall not provide to any Developer, whether directly or indirectly, in cash or in kind, any loan, subsidy, grant, credit enhancement or financing of any kind other than out of the proceeds of the Loan pursuant to the Loan Agreement and the proceeds of the GEF Trust Fund Grant pursuant to this Grant Agreement.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following event is specified as a condition to the effectiveness of this Agreement, namely that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. 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 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 2458
Jakarta 10710, Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

45799 DJMLN - IA
44319 DEPKU - IA

For the Bank:

International Bank for

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF INDONESIA

By /s/ Arifin M. Siregar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an implementing agency of the Global
Environment Facility

By /s/ Javad Khalilzadeh-Shirazi

Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Subgrants under Part A.2 of the Project	1,100,000	100%
(2) Consultants' services under Part B of the Project	1,900,000	100%
TOTAL	3,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) in respect of a Subgrant to a Developer under Category (1) unless the

Pre-Investment Activities in respect of which such Subgrant is to be made have been approved by the Bank in accordance with paragraph A.2.b of Schedule 4 to this Agreement.

3. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) Subgrants and (ii) contracts for the employment of consulting firms costing less than \$100,000 equivalent each and contracts for the employment of individuals costing less than \$50,000 equivalent each, in each case under such terms and conditions as the Bank shall specify by notice to the Recipient.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to: (a) facilitate participation by the private sector in the development of small renewable energy projects in Indonesia on a commercially sustainable basis; (b) promote environmentally sound energy resource development and reduce the dependence of the Recipient's energy sector on fossil fuels; (c) bring about cost effective mitigation of carbon dioxide (CO2) emissions; and (d) strengthen the Recipient's institutional capacity to support and sustain renewable energy development.

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

Part A:

1. Financing of about 15 small power projects (SP Subprojects), each consisting of the installation within the territory of the Recipient of a renewable resource-based power generation unit by a developer, for the generation and sale of electricity to PLN under the PSKSK Regulation.
2. Financing of pre-feasibility and feasibility studies in further preparation of about 15 potential SP Subprojects.

Part B:

1. Strengthening Recipient's capacity for Project implementation through provision of consultants' services in connection with:
 - a. the environmental review of SP Subprojects;
 - b. pre-investment activities under Part A.2 of the Project; and
 - c. technical advice to developers of SP Subprojects.
2. Strengthening Recipient's capacity to design and implement a long-term strategy for the development of renewable energy small power projects, through the development of a plan for ongoing resource information collection and dissemination.

* * * *

The Project is expected to be completed by April 30, 2001.

SCHEDULE 3

Consultants' Services

Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

Implementation Program

A. Terms and Conditions of Subgrants

1. Developer Subgrant Agreements.

For the purpose of making Subgrants to Developers, the Recipient shall make available a portion of the GEF Trust Fund Grant to each Developer under a subgrant agreement to be entered into between the Recipient and each Developer to which a Subgrant is made, upon terms and conditions satisfactory to the Bank.

2. Subgrants.

a. Subject to subparagraphs b. and c. below, the amount of the Subgrant to a Developer shall be equivalent to \$100,000.

b. No expenditures for Pre-Investment Activities shall be eligible for financing out of the proceeds of the GEF Trust Fund Grant unless the Subgrant for such Pre-Investment Activities shall have been approved by the Bank. When presenting a Subgrant to the Bank for approval, the Recipient shall furnish to the Bank an application, in form and substance satisfactory to the Bank, together with a description of the Developer and of the proposed Pre-Investment Activities.

c. Subgrants shall be made on terms whereby the Recipient shall obtain, by written contract with the Developer or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Recipient, including the right to:

(i) require the Developer to carry out the Pre-Investment Activities for which the Subgrant is made with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental practices;

(ii) require that the consultants' services to be financed out of the proceeds of the Subgrant shall be procured in accordance with Schedule 3 to this Agreement;

(iii) obtain all such information as the Bank or the Recipient shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Developer and to the benefits to be derived from the SP Subproject; and

(iv) suspend or terminate the right of the Developer to the use of the proceeds of the GEF Grant upon failure by such Developer to perform its obligations under its contract with the Recipient.

B. Implementation of Technical Assistance

1. Without limitation to Section 3.03 of this Agreement, in carrying out Part B of the Project, the Recipient, through DGEED, shall:

(a) no later than March 1, 1998, employ consultants, with qualifications and under terms of reference acceptable to the Bank, to (i) undertake the gathering of information with respect to renewable resources within the territory of the Recipient, (ii) evaluate the quality and adequacy of such information; and (iii) develop and implement a system to facilitate the dissemination of such information;

(b) no later than March 1, 2000, upgrade resource information for approximately 35-50 proposed renewable energy small power projects, primarily outside Java, to enable potential private sector developers to undertake pre-feasibility studies that will provide a reliable basis for investment decision making and make such information available on an open and equitable basis; and

(c) prepare and furnish to the Bank, no later than May 31, 2000, for review and comment by the Bank, a plan for an ongoing program of renewable energy resource information collection and dissemination.

C. Monitoring and Reporting

1. The Recipient shall:

a. maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

b. prepare under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31 in each year, commencing December 31, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph a. above, on the progress achieved in the carrying out of the Project

during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

c. review with the Bank, by February 28 in each year, commencing February 28, 1998, or such later date as the Bank shall request, the report referred to in sub-paragraph b. above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

d. prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about October 1, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph a. above on the progress achieved in the carrying out of the Project during the period since its inception, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

e. review with the Bank, by December 1, 1999, or such later date as the Bank shall request, the report referred to in sub-paragraph d. above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of services required for Parts A.2 and B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for the Project shall be equal to or exceed the equivalent of SDR 740,000.

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

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

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

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

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

(ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank:

(A) provide such additional evidence as the Bank may request; or

(B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

SCHEDULE 6

Performance Indicators

(PLEASE SEE ORIGINAL FOR PERFORMANCE INDICATORS TABLE, FORMAT WAS TOO BIG)

