

CONFORMED

GRANT NUMBER H305 - LBR

Financing Agreement

(Community Empowerment Project II)

between

REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 15, 2007

GRANT NUMBER H305 - LBR

FINANCING AGREEMENT

AGREEMENT dated June 15, 2007, entered into between REPUBLIC OF LIBERIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR3,300,000) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Executive Director of LACE and any person whom he or she shall designate in writing.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are June 1 and December 1 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project with the assistance of LACE and in accordance with the provisions of: (a) Article IV of the General Conditions; (b) this Agreement; (c) the Subsidiary Grant Agreement; (d) the ESMF; (e) the RPF; and (f) the MAAFP and the OM.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of LACE to perform any of its obligations referred to, or arising from, this Agreement and/or the Subsidiary Grant Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
- (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement shall terminate is fifteen (15) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
P.O. Box 10-9016
1000 Monrovia 10
Liberia

Facsimile: (231) 22-60-75

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF LIBERIA

By /s/ Antoniette M. Sayeh

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Irene S. Xenakis

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the Recipient's poor rural communities' access to basic services and economic opportunities through: (a) a community driven approach, by investing in community Sub-projects; and (b) the provision of capacity-building at the community and local government levels.

The Project consists of the following parts:

Part A: Community Driven Program

1. Assisting Beneficiaries to select and design small-scale community Sub-projects, through: (a) the provision of technical assistance and training; (b) social mobilization; and (c) collective action.
2. Providing Sub-grants to Beneficiaries for the financing of Sub-projects, including but not limited to Sub-projects aimed at:
 - (a) reconstructing and rehabilitating infrastructure in the health, education, water and sanitation sectors;
 - (b) reconstructing and rehabilitating infrastructure in the agricultural sector, including, *inter alia*: (i) rural roads; (ii) markets; and (iii) storage facilities; and
 - (c) improving the delivery of, and access to, economic services.

Part B: Capacity Building Program

- (a) Providing training and technical advisory services to enhance the technical and managerial capacity of community members and other Sub-project stakeholders in participatory planning and development.
- (b) Providing technical support to LACE for the design of detailed guidelines for the involvement of local authorities in the identification, preparation, and implementation of the Subprojects referred to in Part A.2 of the Project.

Part C: Project Management

Supporting the operational capacity of LACE to effectively manage the Project by, *inter alia*, strengthening its management capacity, including its monitoring and evaluation mechanisms, all through the provision of goods, technical advisory services, training and Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

1. The MU

- (a) The Recipient shall cause LACE to: (i) maintain the MU, responsible for the implementation of the Project, in a form and substance, and with resources, satisfactory to the Association; and (ii) at all times maintain staff, with qualifications, experience and terms of reference acceptable to the Association.
- (b) The MU shall be responsible for *inter alia*: (i) facilitation, monitoring and evaluation of Project implementation, including preparation of the reports referred to in paragraphs A and B of Section II of Schedule 2 to this Agreement; (ii) preparation of Annual Work Plans; and (iii) financial management and procurement, including record-keeping under the Project.

2. The LACE Board

- (a) The Recipient shall maintain the LACE Board established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, throughout Project implementation, in a form and substance, and with resources satisfactory to the Association.
- (b) The LACE Board shall be responsible for *inter alia*: (i) providing overall guidance on the management and implementation of the Project; (ii) oversight of the work of LACE; (iii) giving the MU directives and guidance on the interpretation of the Recipient's policies pertaining to those sectors affected by the Project; and (iv) reviewing the Annual Work Plans, and key Project reports such as those to be prepared in accordance with paragraphs A and B of Section II of Schedule 2 to this Agreement.

3. **Annual Work Plans**

The Recipient shall cause LACE to:

- (a) not later than November 30 of each year during Project implementation, starting in 2007, furnish to the Association, for its approval, an annual work plan (the Annual Work Plan) for each subsequent year, each said plan to include, *inter alia*: (i) the Project activities to be carried out by LACE, CBOs, community leaders and other Sub-project stakeholders; (ii) the mitigation measures to avoid potential environmental and social impacts of proposed Sub-projects; (iii) the annual budget for Sub-Grants and all other expenditures for Capacity Building and Project Management; and (iv) the procurement plan and disbursement schedule for each said twelve month period; and
- (b) thereafter implement each said Annual Work Plan, approved by the Association, in accordance with its terms.

4. **The Operation Manual and MAAFP**

The Recipient shall cause LACE to:

- (a) (i) maintain the Operation Manual, in form and substance satisfactory to the Association, for the implementation of the Project; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the Operation Manual; and (iii) not assign, amend, abrogate or waive the Operation Manual or any provision thereof if, in the opinion of the Association, such assignment, amendment or waiver will materially affect the implementation of the Project.
- (b) (i) maintain the MAAFP, in form and substance satisfactory to the Association, for the implementation of the Project; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the MAAFP; and (iii) not assign, amend, abrogate or waive the MAAFP or any provision thereof if, in the opinion of the Association, such assignment, amendment or waiver will materially affect the implementation of the Project.

5. Subsidiary Grant Agreement

- (a) The Recipient shall ensure that the Subsidiary Grant Agreement shall maintain, at all times during Project implementation, provisions to the following effect:
 - (i) The Recipient's obligation to provide the proceeds of the Grant to LACE on terms and conditions satisfactory to the Association.
 - (ii) LACE's obligation to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement, the Operation Manual, and the MAAFP.
 - (iii) LACE's obligation to procure the goods, works and services required for the Project and to be financed out of the proceeds of the Grant, in accordance with the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan and Operation Manual.
 - (iv) LACE's obligation to implement the Project in accordance with the provisions of the ESMF and RPF, and, except as the Association shall otherwise agree, LACE shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.
 - (v) LACE's obligation to carry out the obligations set forth in Sections 4.04, 4.05, 4.06, 4.07, 4.08, 4.09; and 4.10 of the General Conditions (relating to insurance; land acquisition; use of goods, works and services; maintenance; plans and schedules; records, reports and documents; monitoring and evaluation; financial management; financial statements; audits; and cooperation and consultation, respectively) in respect of the Project.
 - (vi) LACE's obligation to: (1) maintain a separate financial management system for the implementation of the Project;

(2) prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition; and
(3) register separately the operations, resources and expenditures related to the Project.

(vii) LACE's obligation to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project and the performance of its obligations under the Subsidiary Grant Agreement.

(viii) LACE's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement.

(b) The Subsidiary Grant Agreement shall include a provision stipulating that in the case of conflict between the Subsidiary Grant Agreement and this Agreement, the latter shall apply.

6. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

7. **Sub-projects**

(a) **General**

The Recipient shall cause LACE to appraise, approve and monitor the implementation of Sub-projects under Part A.2 of the Project in accordance with the provisions of the Operation Manual and the following provisions:

(b) **Eligibility Criteria for Subprojects**

No proposed Sub-project shall be eligible for financing under Part A.2 of the Project unless LACE shall have determined, on the basis of an appraisal conducted in accordance with the provisions of paragraph 7 (a) of Section I of Schedule 2 to this Agreement and the guidelines set forth in the Operation Manual, that the proposed Sub-project satisfies the eligibility criteria set forth in the Operation Manual, including, but not limited to, the following:

- (i) the Sub-project shall, as set forth in Part A.2 of Schedule 1 to this Agreement, be for social and economic infrastructure and services, including primary health, basic education, rural water supply and sanitation, feeder roads, and the construction of markets and granaries;
 - (ii) the Sub-project shall be initiated by a Beneficiary that shall have formed a PMC to act on its behalf;
 - (iii) the Sub-project Beneficiary must have legal status, so that it may enter into a Sub-grant Agreement with LACE, open and manage a bank account and enter into contracts with private sector operators, as required;
 - (iv) the Sub-project shall be economically, financially and technically viable in accordance with the standards specified in the Operation Manual;
 - (v) the Sub-projects will be financed on a grant basis, not exceeding the equivalent of \$75,000 per Beneficiary over a three-year period, except as otherwise agreed by the Association;
 - (vi) Sub-project Beneficiaries shall contribute not less than ten (10) percent of the amount of the Sub-grant in the form of cash, materials or labor; and
 - (vii) the Sub-project shall be in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental protection.
- (c) Terms and Conditions of Sub-grant Agreements
- (i) A Sub-project shall be carried out pursuant to a Sub-grant Agreement, to be concluded between LACE and a Beneficiary, under terms and conditions satisfactory to the Association, and described in further detail in the Operation Manual which, *inter alia*, shall include the following:
 - (A) the Sub-grant shall be provided on a non-reimbursable grant basis;
 - (B) the Beneficiary shall contribute not less than ten (10) percent of the amount of the Sub-grant in the form of cash, materials or labor;

- (C) the obligation to carry out the Sub-project in accordance with the Operation Manual, with due diligence and efficiency and in accordance with sound technical, financial, social, environmental and managerial standards;
 - (D) the obligation to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Sub-project;
 - (E) the requirement that: (1) the goods, works and services to be financed from the proceeds of the Sub-grant shall be procured in accordance with the procedures set forth in Section III of Schedule 2 to this Agreement and as further specified in the Operation Manual, and (2) such goods, works and services shall be used exclusively in the carrying out of the Sub-project;
 - (F) the requirement that the PMC shall be maintained throughout Sub-project implementation;
 - (G) the requirement that the Beneficiary open a bank account for the deposit of Sub-project funds in a commercial bank acceptable to LACE and provide the account details to LACE;
 - (H) the right of LACE to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Sub-project, the operations thereof, and any relevant records and documents;
 - (I) the right of LACE to obtain all information as LACE or the Association shall reasonably request regarding the administration, operation and financial conditions of the Sub-project; and
 - (J) the right of LACE to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant for the Sub-project upon the failure by the Beneficiary to perform any of its obligations under the Sub-grant Agreement.
- (ii) LACE shall exercise its rights under the Sub-grant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project objectives, and, except as the Association shall

otherwise agree, LACE shall not assign, amend, abrogate or waive the Sub-grant Agreement or any substantive provision thereof.

8. Environmental and Social Measures

- (a) The Recipient shall cause LACE to carry out the Project in accordance with the provisions of the ESMF and the RPF;
- (b) The Recipient shall cause LACE to ensure that an environmental and social impact assessment or other environmental analysis is carried out in a form that is satisfactory to the Association prior to the implementation of the Sub-projects financed under the Project as shall be required, based on the results of the environmental and social screening process set forth in the ESMF;
- (c) In the event that the screening process in the ESMF, or the environmental and social impact assessment or other environmental analysis carried out under sub-paragraph (b) above determines that a proposed Sub-project would have a potential negative environmental or social impact, the Recipient shall ensure that a management plan that is satisfactory to the Association is prepared and implemented to mitigate against such negative impacts in accordance with the guidelines in the ESMF; and
- (d) Without limitation to the generality of sub-paragraph (c) above, if it is determined that a Sub-project would involve involuntary resettlement of persons and/or loss of means of livelihood of the affected persons as a result of the involuntary acquisition of land, the Recipient shall ensure that resettlement action plans satisfactory to the Association are prepared in accordance with the principles and procedures specified in the RPF and implemented for the benefit of the affected persons.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) The Recipient shall cause LACE to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar year commencing from the Effective Date and shall be furnished to the

Association not later than one (1) month after the end of the period covered by such report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) All supported communities have benefited from social mobilization and at least 90% of sub-projects undertaken reflect the emergency priorities of targeted communities and beneficiaries, and are implemented in collaboration with local authorities, by end of Project implementation;
 - (ii) PMCs are inclusive, well-representative, and well-trained, by end of Project implementation;
 - (iii) At least 400 PMC members are successfully trained every year in sub-project management;
 - (iv) Completion of at least 80 sub-projects, by end of Project implementation;
 - (v) Increase in access to basic services, in particular health and education by end of Project implementation;
 - (vi) Project management expenses as defined in the MAAFP are less than 13% of total budgeted annual expenditures.
- (c) The Recipient shall cause LACE to:
 - (i) carry out jointly with the Association, on or about the date two (2) years after the Effective Date, a comprehensive mid-term review to assess the status of Project implementation. Such review shall be aimed at: (1) documenting progress towards the Project objectives; (2) monitoring the implementation of the environmental and social measures set forth in the ESMF and RPF; (3) identifying and resolving obstacles to Project implementation; and (4) adjusting, in agreement with the Association, targets and corresponding activities to reflect progress achieved in Project implementation as of the date of review;
 - (ii) take all actions it considers necessary to ensure the participation of representatives of Beneficiaries in such midterm review;

- (iii) not later than one (1) month before such review, prepare and furnish to the Association a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph A (1) (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the 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
 - (iv) review, jointly with the Association, the report referred to in paragraph A.1 (c) (iii) of this Section and promptly 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 Association's views on the matter.
- 2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than December 31, 2011.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall cause LACE to:
 - (a) maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
 - (b) maintain an independent auditor to carry out financial audits pursuant to Section 4.09 (b) of the General Conditions.
 - (c) ensure that the Project is implemented in accordance with the provisions of the OM and MAAFP, and except as the Association shall otherwise agree, shall not amend or waive any provision of the OM and MAAFP, if in the opinion of the Association the said amendment or waiver could materially or adversely affect the implementation of the Project.
- 2. Without limitation on the provisions of paragraph B.1 of Section II of Schedule 2 to this Agreement, the Recipient shall cause LACE to prepare and furnish to the Association not later than forty five (45) days after the end of each quarter, an

Interim Un-audited Financial Reports (IFR) for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause LACE to have its annual Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Recipient, except that the first audit may cover more than 12 months up to 18 months. All audits subsequent to the first shall cover a 12-month period. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of the fiscal year.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following list specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods:
(a) National Competitive Bidding.
(b) Shopping.
(c) Procurement from United Nations Agencies.
(d) Community Participation.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following list specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods:
(a) Least-cost Selection.
(b) Selection Based on Consultants' Qualifications.
(c) Single Source Selection.
(d) Individual Consultants.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following shall be subject to Prior Review by the Association:
 - (a) each contract for goods procured by LACE and estimated to cost the equivalent of \$200,000 or more, and the first two contracts for goods estimated to cost between \$30,000 and \$200,000;
 - (b) each contract for works procured by LACE and estimated to cost the equivalent of \$100,000 or more, and the first two contracts for works procured by LACE estimated to cost between \$50,000 and \$100,000;
 - (c) each contract for works or goods procured by Beneficiaries and estimated to cost the equivalent of \$75,000 or more;
 - (d) qualification of proposed pool of consultants (consulting firms or/and individuals), terms of reference and terms of employment by LACE;

- (e) each contract for consultants' services provided by a firm, procured by LACE, and estimated to cost the equivalent of \$100,000 or more, and the first two contracts for consultants' services provided by a firm selected through Quality-and Cost-Based Selection, Least-Cost Selection, Selection under a Fixed Budget, and Selection Based on the Consultants' Qualifications, irrespective of the amount; and
 - (f) each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more. With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 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.
2. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

- 1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions) to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- 2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amounts of Grant Allocated Expressed in SDR	Percentage of Expenditures to be Financed
(1) Goods	70,000	100%
(2) Subgrants for sub-Projects	2,600,000	100%
(3) Consultants' services (including audits) and Training	260,000	100%
(4) Incremental Operating Costs	200,000	100%
(5) Unallocated	170,000	
TOTAL	3,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made in respect of payments for expenditures prior to the date of this Agreement.
2. The Closing Date is June 30, 2011.

APPENDIX

Definitions

1. “Annual Work Plans” means any of the plans referred to in paragraph 3 of Section I of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. "Beneficiary" means a Community-based Organization (as hereinafter defined) which has met the eligibility criteria set out in paragraph 7 (b) of Section I of Schedule 2 to this Agreement, and in the Operation Manual and to which a Sub-grant is made or proposed to be made.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CBO” or “Community-based Organization” means an organization, duly established by a Community (as hereinafter defined) under the relevant laws of the Recipient to address the common needs of its members.
6. “Community” means a local or village level institution, or inhabitants in the poorest sections or areas of the Recipient’s territory, as defined in Section 50B.3. of Title 12 of the Liberian Code of Laws of July 22, 2004.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “ESMF” means the Environmental and Social Management Framework, dated April 27, 2007, prepared by LACE and approved by the Association, setting forth an environmental and social screening process that will enable Sub-project implementers to identify and assess potential adverse environmental and social impacts, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which environmental management plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association.
9. “FY” or “Fiscal Year” means the Recipient’s and LACE’s (as hereinafter defined) fiscal year which runs from January 1 through December 31 of each year.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Incremental Operating Costs” means reasonable incremental expenses, based on an annual budget previously approved by the Association, and incurred by LACE on account of Project implementation, management and monitoring, including office space rental and security guard services, utilities and supplies, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Recipient’s civil service, all financed with the proceeds of the Grant.
12. “Interim Un-audited Financial Report” means the reports referred to in paragraph B.2 of Section II of Schedule 2 to this Agreement, and which: (a) sets forth the sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing funds provided under the Designated Account, and explains variances between the actual and planned uses of such funds; (b) 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 (c) sets forth the status of procurement under the Project, as at the end of the period covered by the said report.
13. “LACE” means the Recipient’s Agency for Community Empowerment, a socio-economic development fund established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, to engender national initiatives geared towards alleviating poverty and attaining the Millennium Development Goals.
14. “LACE Board” or “the Board” means the Recipient’s Agency for Community Empowerment’s Board of Directors established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, to provide oversight and policy guidance to the LACE MU (as hereinafter defined).
15. “LACE MU” or “the MU” means the Recipient’s Agency for Community Empowerment’s Management Unit, comprising, *inter alia*, the Executive Director, the Deputy Executive Director for Administration and the Finance Director, responsible for the day-to-day running of LACE.
16. “MAAFP” means the Manual of Administrative, Accounting and Financial Procedures, prepared by LACE, dated May 2005, and describing the organization and functioning of LACE, including procedures relating to personnel management, preparation of work plans, disbursement of funds, monitoring and

evaluation, procurement for LACE's own use, accounting and audit, as the same may be updated from time to time with the prior agreement of the Association.

17. "NGO" means a non-governmental organization duly authorized to operate in the Recipient's territory in accordance with the relevant laws of the Recipient.
18. "Operation Manual" or "OM" means the manual, in form and substance satisfactory to the Association, adopted by LACE and approved by the Association, on February 7, 2005, outlining the eligibility, appraisal and implementation modalities for Sub-projects, financial management, accounting and procurement arrangements for PMCs of CBOs, monitoring and evaluation, and other implementation arrangements, as the same may be amended from time to time with the concurrence of the Association, and such term includes any annexes to the Operation Manual.
19. "PMC" means a Project Management Committee established by a CBO to assist with the identification, preparation, appraisal and implementation of a Sub-project as further specified in the Operation Manual, and comprising an equal number of men and women, including, *inter alia*, a chairperson, a vice chairperson, a treasurer, an assistant treasurer, a secretary, an assistant secretary, and four ordinary members, all duly elected by members of the CBO.
20. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
21. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 20, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. "RPF" or "Resettlement Policy Framework" means the governing framework, dated April 27, 2007, prepared by LACE and approved by the Association, for land acquisition, resettlement and compensation under the Project, and in accordance with which resettlement action plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association.
23. "Sub-grant" means a grant made or proposed to be made by LACE to a Beneficiary for the purpose of implementing a Sub-project, pursuant to the terms and conditions set forth in a Sub-grant Agreement.

24. "Sub-grant Agreement" means an agreement to be entered into between LACE and a Beneficiary, setting forth the terms and conditions upon which proceeds of a Sub-grant shall be made available for the purpose of financing a Sub-project, pursuant to the provisions of paragraph 7 (c) of Section I of Schedule 2 to this Agreement and further specified in the Operation Manual.
25. "Sub-project" means a set of investments to be financed under a Sub-grant, carried out by a Beneficiary under a Sub-grant Agreement and included in Part A.2 of the Project.
26. "Subsidiary Grant Agreement" means the agreement entered into between the Recipient and LACE pursuant to paragraph 5 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Grant Agreement.
27. "Training" means reasonable non-consultant expenditures, based on an annual budget previously approved by the Association, and incurred by LACE to finance training activities including: (a) transportation costs of trainers and trainees; (b) trainer's fees; (c) rental of training facilities and equipment; and (d) acquisition of training equipment and material, all financed with the proceeds of the Grant.