

CONFORMED COPY

TRUST FUND FOR EAST TIMOR  
GRANT NUMBER TF 028376

Trust Fund for East Timor  
Grant Agreement

(Second Community Empowerment and Local Governance Project)

between

EAST TIMOR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Trustee of the Trust Fund for East Timor

Dated May 21, 2001

TRUST FUND FOR EAST TIMOR  
GRANT NUMBER TF028376

TRUST FUND FOR EAST TIMOR GRANT AGREEMENT

AGREEMENT, dated May 21, 2001, between EAST TIMOR, as administered by the UNITED NATIONS TRANSITIONAL ADMINISTRATION IN EAST TIMOR (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Trustee) acting as trustee of the Trust Fund for East Timor.

WHEREAS (A) pursuant to Resolution No. 99-8 of the Executive Directors of the International Bank for Reconstruction and Development (the Bank) and Resolution No. IDA99-5 of the Executive Directors of the Association, the Executive Directors established the Trust Fund for East Timor (TFET) to assist in the emergency reconstruction and recovery program in East Timor and appointed the Association as trustee of the TFET;

(B) the United Nations Security Council, acting under Chapter VII of the Charter of the United Nations, adopted on October 25, 1999, Resolution 1272 (1999) establishing a United Nations Transitional Administration in East Timor (UNTAET) for an initial period until January 31, 2001, whereas UNTAET has the objectives and a structure as set out in part IV of the Report of the Secretary-General dated October 4, 1999, and whereas the mandate period for UNTAET was, pursuant to the United Nations Security Council Resolution 1338 (2001) of January 31, 2001, extended until January 31, 2002; and

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the TFET for funding the Project; and

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

Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01 The "General Conditions Applicable to the Trust Fund for East Timor Grant Agreements" of the International Development Association, dated May 15, 2000 (the General Conditions) constitute an integral part of this 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 Recitals to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Affected Person" means a person who, on account of the execution of Parts A.1, A.2, A.3, A.6, B and C of the Project, has or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected;

(b) "Borrower" and "Borrowers" means an individual or individuals, respectively, responsible for the carrying out of a Sub-project under Part A.2 and A.3 of the Project;

(c) "Community Radio Support Center" means the center to be established to provide technical services to community radio stations in East Timor and to provide training to staff of the District Reporter Stations;

(d) "Conselho do Posto" means a development council at the sub-district level as established in accordance with Regulation 13/2000;

(e) "Conselho do Suco" means a development council at the village level as established in accordance with Regulation 13/2000;

(f) "Credit" means a credit made by the Conselho do Suco to a Borrower or Borrowers for a Sub-project under Part A.2 and A.3 of the Project out of funds made available by the Recipient out of the proceeds of the Grant;

(g) "Community Radio Support Manual" means the annex to the Project Manual to assist in the implementation of Part C of the Project through the description of, inter alia, procurement procedures and standard documentation, reporting requirements, and criteria for training of District Reporter Stations staff, as such Manual may be amended from time to time with the agreement of the Trustee;

(h) "Cultural Heritage Support Manual" means the annex to the Project Manual to assist in the implementation of Sub-projects under Part B.2 of the Project through the description of, inter alia, procurement procedures and standard documentation, reporting requirements, and criteria for the selection of Sub-projects, as such Manual may be amended from time to time with the agreement of the Trustee;

(i) "District Planning and Initiatives Manual" means the annex to the Project Manual, to assist District administration staff, Project staff and facilitators in the implementation of Sub-projects under Part A.6 of the Project through the description of, inter alia, procurement procedures and standard documentation, reporting requirements, and criteria for the selection of Sub-projects, as such Manual may be amended from time to time with the agreement of the Trustee;

(j) "District Reporter Station" means a station established to produce local news to be broadcasted through Radio UNTAET's national radio programs and to be broadcasted locally once the station has the appropriate capacity;

(k) "Fiscal Year" means the Recipient's fiscal year commencing July 1 and ending June 30;

(l) "Guidelines for Compensation and Resettlement" means the guidelines prepared by the Recipient, in agreement with the Trustee, for the provision of compensation to Affected Persons as set forth in paragraph 9 of Schedule 4 to this Agreement and in the Project Manual, and as such Guidelines may be amended from time

to time in agreement with the Trustee;

(m) "Highly Vulnerable Groups" means groups, identified through on-site participatory rural appraisals, having special needs, and including widows, the elderly and the disabled;

(n) "Highly Vulnerable Groups Support Manual" means the annex to the Project Manual to assist Project staff, the Conselho do Suco, and the Conselho do Posto in the implementation of Sub-projects under Part A.3 of the Project through the description, inter alia, of eligibility criteria, proposal preparation, decision-making and implementation procedures, as such Manual may be amended from time to time with the agreement of the Trustee;

(o) "National Performance and Culture Center" means the Uma Fukun Timor Loro'Sae in Dili;

(p) "Project District" means a District selected by the Recipient for participation in the Project in accordance with the criteria set forth in paragraph 2 of Schedule 4 to this Agreement;

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

(r) "Project Management Unit" means the unit within the Department of Internal Administration responsible for the coordination of Project activities and for the implementation of the financial management action plan;

(s) "Project Manual" means the Project Manual dated October 2000, to assist the Project staff, the Conselho do Suco, the Conselho do Posto and Borrowers in the implementation of Sub-projects under Part A.1, A.2, A.3 and A.6 of the Project through the description of, inter alia, procurement procedures and standard documentation, reporting requirements, the Project Performance Indicators, Guidelines for Compensation and Resettlement, environmental criteria applicable to Sub-project design, maintenance provisions for works to be carried out under the Sub-project and criteria for the selection of Sub-projects; and includes as annexes the Community Radio Support Manual, the Cultural Heritage Support Manual, the District Planning and Initiatives Manual, and the Highly Vulnerable Groups Support Manual, as such Project Manual and its annexes may be amended from time to time in agreement with the Trustee;

(t) "Project Performance Indicators" means those indicators designed to measure the Recipient's performance in achieving Project objectives as set forth in Schedule 5 to this Agreement;

(u) "Project Sub-district" means a Sub-district selected by the Recipient for participation in the Project in accordance with the criteria set forth in paragraph 2 of Schedule 4 to this Agreement;

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

(w) "Sub-Grant" means a grant made available by the Recipient out of the proceeds of the Grant for a Sub-project under Parts A.1, A.3, A.6 and B.2 of the Project; and

(x) "Sub-project" means a specific investment project carried out under Parts A.1, A.2, A.3, A.6 and B.2 of the Project and utilizing the proceeds of a Sub-Grant or a Credit.

## ARTICLE II

### The Grant

Section 2.01. (a) The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount equal to eight million five hundred thousand Dollars (\$8,500,000).

(b) The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purpose pursuant to the Resolutions referred to in Whereas (B) of this Agreement.

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for

amounts paid (or, if the Trustee shall so agree, to be paid) by the Recipient on account of a Sub-Grant or a Credit made under Parts A.1, A.2, A.3, A.6 and B.2 of the Project to meet the reasonable cost of goods and services required for a Sub-project and in respect of which the withdrawal from the Grant Account is requested; and (ii) for expenditures made (or, if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for Parts A.4, A.5, B.1 and C of the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, acceptable to the Trustee, on terms and conditions satisfactory to the Trustee, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Trustee shall establish. The Trustee 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 through the Recipient's Department of Internal Administration with due diligence and efficiency and in conformity with appropriate administrative, agricultural, engineering, environmental, financial and social practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and for Sub-projects and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 8.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Trustee, and furnish to the Trustee 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 Trustee, a plan to ensure the continued achievement of the objectives of the Project; and

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

### ARTICLE IV

#### Financial Conditions

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 or agencies 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 Accounts 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; and

(iii) 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 Grant Account were made on the basis of Project Management Reports or 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 Trustee has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(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 Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Trustee for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than October 1, 2002, or such later date as the Trustee shall agree, to prepare quarterly Project management reports, acceptable to the Trustee, each of which:

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

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

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

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

## ARTICLE V

### Effectiveness, Termination

Section 5.01. The following events are specified as conditions to the effectiveness of this Agreement:

(a) that the Director, the Chief Finance Officer, and at least two additional Chief Officers of the Project Management Unit have been appointed;



By /s/ Klaus Rohland

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Sub-Grants and Credits:		100% of Sub-Grant amount and 100% of Credit amount disbursed
(a) Part A.1 and A.2 of of the Project	3,730,000	
(b) Part A.3 of the Project	950,000	
(c) Part A.6 of the Project	240,000	
(d) Part B.2 of the Project	400,000	
(2) Goods (including transportation) under Parts A.5, B.1 and C of the Project	860,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of local expenditures for other items procured locally
(3) Civil works under Parts B.1 and C of the Project	800,000	100%
(4) Incremental operating costs:		
(a) Auditing costs	20,000	100%
(b) Other	100,000	100%
(5) Consultants' services and training	1,400,000	100%
TOTAL	8,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; provided, however, that if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "Other incremental operating costs" means expenditures for bank costs relating to the Special Account, operation and maintenance of Project vehicles, and expenditures for supplies, transportation and communication of Project staff, but excluding salaries.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made under the Grant in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made for expenditures under Category (1) (b)

unless and until the Highly Vulnerable Groups Support Manual, acceptable to the Trustee, has been adopted; (c) payments made for expenditures under Category (1) (c) unless and until the action plan for the establishment of District planning boards and committees that includes representatives from each Conselho do Posto has been adopted, and the District Planning and Initiatives Manual, acceptable to the Trustee, has been adopted, and (d) payments made for expenditures under Category (1) (d) unless and until the Cultural Heritage Support Manual, acceptable to the Trustee, has been adopted.

4. The Trustee may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) Sub-Grants and Credits; (b) goods and works costing less than \$100,000 equivalent per contract; (c) incremental operating costs; (d) training; and (e) contracts for the employment of consulting firms valued at less than \$50,000 equivalent each and contracts for the employment of individuals valued at less than \$25,000 equivalent each all under such terms and conditions as the Trustee shall specify by notice to the Recipient.

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

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Recipient in reducing poverty and supporting inclusive patterns of growth and development.

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 objectives.

#### Part A: Community Sub-Grants and Credits

1. Carrying out of infrastructure investment projects in villages through the provision of Sub-grants to the relevant Conselho do Suco.

2. Carrying out of income-generating investment projects in villages through the provision of Credits to Borrowers.

3. Carrying out of income-generating investment projects and social welfare programs in villages through the provision of Sub-Grants and Credits to Highly Vulnerable Groups in such villages and the provision of technical assistance.

4. Strengthening the capacity of villages, Conselho do Suco and Conselho do Posto in the planning and implementation of Sub-projects through the provision of technical assistance, training and information dissemination activities.

5. Strengthening District administration planning offices through the provision of training and information sharing activities that include Conselho do Posto members, and the provision of related equipment, materials and technical assistance.

6. Carrying out of infrastructure investment projects and capacity building programs benefiting groups in more than one Sub-district through the provision of Sub-grants to District councils and District forums.

#### Part B: Cultural Heritage and Social Reconciliation

1. Reconstruction of a national culture and performance center in Dili.

2. Carrying out of cultural and social reconciliation Sub-projects in towns and villages through the provision of Sub-Grants to such towns and villages, to individual artists and artist groups, and the provision of technical assistance to village councils.

#### Part C: Community Reporter and Radio Stations and National Radio and Television

1. Strengthening community communication and information through: (i) the provision of equipment for the establishment of District reporter stations, through a national broadcasting system, (ii) the provision of training in programming and ethics to



reporters, radio managers and technicians, (iii) the provision of equipment to communities for the establishment of community radio stations; and (iv) the provision of technical assistance to the Community Radio Support Center.

2. Development of a strategy for television broadcasting through the carrying out of workshops and public consultation forums on national television.

\* \* \*

The Project is expected to be completed by June 30, 2003.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: General

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

###### Part B: International Competitive Bidding

Radio equipment under Part C of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Except as provided in paragraphs 4 and 5 of this Part, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. International Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$260,000 equivalent may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 4. Direct Contracting

Goods estimated to cost less than \$2,500 equivalent per contract and which must be procured from a particular supplier due to the lack of alternative local suppliers, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

###### 5. Procurement of Small Works

Except as provided in paragraph 6 of this Section, works estimated to cost less than \$25,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Trustee, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

## 6. Community Participation

Works required for Parts A.1, A.2, A.3, A.6 and B.2 of the Project may be procured in accordance with procedures acceptable to the Trustee.

### Part D: Review by the Trustee of Procurement Decisions

#### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project (other than Part A.1, A.2 and A.3 of the Project) shall be furnished to the Trustee for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Trustee, and with 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, and the first contract in each District estimated to cost the equivalent of \$10,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract estimated to cost less than the equivalent of \$100,000, but more than the equivalent of \$50,000, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Recipient shall provide to the Trustee a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Trustee a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

#### 3. Post Review

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

## Section II. Employment of Consultants

### Part A: General

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

#### 1. Least-cost Selection

Services for auditing shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 2. Single Source Selection

Services under Parts A and B of the Project, which are estimated to cost less than \$100,000 equivalent per contract, may, with the Trustee's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services which are estimated to cost less than \$75,000 equivalent per contract, may 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 Trustee of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Trustee 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 Trustee, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Trustee for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Recipient shall maintain until the completion of the Project, the Project Management Unit responsible for the day-to-day management of the Project, headed by a qualified and experienced Director and with competent staff in adequate numbers, all with terms of reference, qualification and experience acceptable to the Trustee, and who shall be employed, except for the Director, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

2. The Recipient shall, for purposes of Parts A and B of the Project, select Project Sub-districts from Sub-districts where at least fifty percent or more of the population living in such Sub-district prior to August 1999, has remained in or has returned to such Sub-district.

3. In carrying out Part A of the Project, the Recipient shall:

(a) inform the District Administrator of each Project District of the appointment of Sub-district facilitators, District technical facilitators, District monitors and District Project accountants for purposes of the Project by not later than April 30 in each year, commencing April 30, 2001, and until completion of the Project; and

(b) issue to the Project Sub-districts and the Project Districts, by not later than April 30 in each year, commencing April 30, 2001, public information aimed at disclosing to villagers and their representatives as well as District Council members, all administrative, financial, environmental, procedural and technical aspects pertaining to the selection, design, preparation and implementation of Sub-projects; and make such information, including the Project Manual, freely

available for consultation at the Sub-district office and at the District office.

4. In carrying out Part A of the Project, the Recipient shall cause Sub-projects in Project Sub-districts and Project Districts to be selected in accordance with criteria acceptable to the Trustee including the following:

(a) each Sub-project proposed under Part A.1 of the Project shall be a public infrastructure investment project that is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it;

(b) each Sub-project proposed under Part A.2 of the Project shall be an income-generating investment project that is technically, financially and environmentally viable, and economically justified;

(c) each Sub-project proposed under Part A.3 of the Project for Highly Vulnerable Groups shall be: (i) a project or an activity that is technically and economically justified; or (ii) an income-generating investment project that is technically, financially and environmentally viable, and economically justified;

(d) each Sub-project proposed under Part A.6 of the Project shall be (i) a public infrastructure investment project that is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it; or (ii) an activity that is technically and economically justified;

(e) the estimated cost of the proposed Sub-project when added to the amount of Sub-Grants and Credits approved in the relevant Project Sub-district or Project District does not exceed the aggregate of:

(i) \$25,000 for Project Sub-Districts or Project District whose population is 5,000 or less;

(ii) \$50,000 for Project Sub-Districts or Project District whose population is 15,000 or less but more than 5,000;

(iii) \$75,000 for Project Sub-Districts or Project District whose population is 25,000 or less but more than 15,000; and

(iv) \$100,000 for Project Sub-Districts or Project District whose population is more than 25,000; and

(f) no Sub-project shall: (i) include expenditures intended for a military or paramilitary purpose; (ii) relate to the manufacture or use of environmentally hazardous goods (including asbestos and pesticides), arms or drugs, (iii) include the financing of government salaries, (iv) include civil works for government administration or religious purposes, (v) include civil works on buildings where ownership is disputed or unknown; (vi) include renting of buildings where ownership is disputed or unknown, or (vii) include land acquisition.

5. In carrying out Part A of the Project the Recipient shall ensure that, prior to the carrying out of works under a Sub-project, the District technical facilitator has made available to communities or Conselhos technical assistance to complete a technical review of such Sub-project and shall have confirmed the following:

(a) the criteria described in paragraph 4 of this Schedule have been complied with;

(b) necessary funding to fully finance the proposed Sub-project has been obtained, including a Sub-Grant or Credit and any voluntary contributions to be made by villagers;

(c) appropriate engineering and environmental standards and practices that would minimize any acquisition of land and avoid involuntary resettlement of Affected Persons have been considered in the design of the Sub-project in accordance with the Project Manual;

(d) the Guidelines for Compensation and Resettlement have been complied with, and, if applicable, appropriate compensation arrangements have been completed and are satisfactory to the Affected Persons as set forth under the Guidelines for Compensation and Resettlement and paragraph 9 of this Schedule;

(e) a Sub-project agreement has been entered into and an implementation plan for the Sub-project has been prepared in accordance with the provisions of the Project

Manual; and

(f) a maintenance program for the works to be carried out under the Sub-project has been prepared in accordance with terms acceptable to the Trustee and has been included in the Sub-project agreement, which shall include assignment of maintenance responsibilities in the respective village, the preparation of training programs to strengthen the maintenance capabilities of the village, and the identification of available sources of financing to carry out such programs.

6. In carrying out Part A.2 and A.3 of the Project, the Recipient shall cause the Project Management Unit to ensure that:

(a) Credits are made on terms and conditions agreed with the Trustee and set forth in the Project Manual;

(b) a revolving fund is established and maintained by the Conselho do Suco in the Project Sub-districts in accordance with procedures agreed with the Trustee and set forth in the Project Manual; and

(c) Credits are repaid into the respective Conselho do Suco account established for such revolving funds in the respective Conselho do Posto.

7. In carrying out Part A of the Project, the Recipient shall, through the Project Management Unit:

(a) cause each Conselho do Suco, each District Council and Borrowers to carry out the Sub-projects, selected in accordance with paragraph 4 of this Schedule, in accordance with the Project Manual and the respective Sub-project agreements;

(b) ensure that, until completion of the Project, the Project Manual is made available to the Sub-district and District facilitators as well as District Technical Facilitators and applied in the carrying out of Sub-projects; and

(c) periodically update the Project Manual, if needed, with the prior agreement of the Trustee.

8. In carrying out Part A of the Project, the Recipient shall cause the Project Management Unit to ensure that:

(a) each Sub-project is reviewed by the Sub-district Facilitator, District Monitor, or District Technical Facilitator upon completion and that a certificate of Sub-project completion shall be issued by the District Technical Facilitator upon a finding of satisfactory Sub-project completion in accordance with the Project Manual and approved designs; and

(b) if there is a finding of unsatisfactory completion of a Sub-project, except for cases of force majeure under Credits, the Conselho do Posto shall recover the amounts disbursed under the respective Sub-Grant or Credit.

9. In carrying out the Project, the Recipient shall:

(a) take measures to avoid or minimize the acquisition of land or assets of villagers and to avoid the displacement of said villagers;

(b) where the acquisition of land or assets or the displacement of villagers is unavoidable under a proposed Sub-project, ensure that the village shall, before carrying out the works which would result in such acquisition or displacement, make available to such villagers, compensation in accordance with the Guidelines for Compensation and Resettlement; and

(c) in the event that two hundred or more villagers are adversely affected by a Sub-project:

(i) prepare a resettlement plan in accordance with the Guidelines for Compensation and Resettlement and furnish such plan to the Trustee for approval; and

(ii) prior to the carrying out of the Sub-project, ensure that all Affected Persons shall have been compensated in accordance with the provisions of said plan.

10. The Recipient shall, for purposes of Part C of the Project:

(a) establish and, thereafter, maintain until the completion of the Project, a Community Radio Support Center, with competent staff in adequate numbers, including a Manager, all with terms of reference, qualifications and experience acceptable to the Trustee, and who shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement; such Center to be the Project Management Sub-unit for purposes of Part C of the Project; and

(b) not later than April 30, 2001, issue a Community Radio Support Manual, acceptable to the Trustee.

11. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Trustee, and furnish to the Trustee, on or about June 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 Trustee, by September 30, 2002, or such later date as the Trustee shall request, the report referred to in paragraph (b) of this Section, 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 Trustee's views on the matter.

#### SCHEDULE 5

##### Project Performance Indicators

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Trustee 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 Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the 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 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 Trustee from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 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 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 Trustee, 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 Trustee pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the 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 Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the 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 Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (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 Grant Account for subsequent withdrawal or for

cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

