

Public Disclosure Authorized

CONFORMED COPY

IDA GRANT NUMBER H1810-HA

Development Grant Agreement

(Community Driven Development Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 9, 2005

Public Disclosure Authorized

IDA GRANT NUMBER 1810-HA

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated September 9, 2005, between REPUBLIC OF HAITI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 5 to this Agreement (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) “Beneficiary Community” means a CBO in the territory of the Recipient, including, *inter alia*, special interest groups of women and youth, to which a Beneficiary Grant (as hereinafter defined) is made, or proposed to be made, under the Project;

(b) “BRH” means *Banque de la République d’Haiti*, the Recipient’s Central Bank;

(c) “CBO” means a community-based organization established and operating pursuant to the laws of the Recipient and which is made responsible under the Project for the development and implementation of a Community Subproject (as hereinafter defined) to be financed utilizing the proceeds of the Grant;

(d) “Community Grant” means a grant made or proposed to be made to a Beneficiary Community for the carrying out of a Community Subproject under Part A of the Project;

(e) “Community Grant Agreement” means the agreement entered into between a Beneficiary Community and an MDOD (as hereafter defined) for the implementation of a Community Subproject as referred to in Section 3.09 (b) of this Agreement;

(f) “Community Subproject” means: (i) a specific project in income generation activities; (ii) a specific project in small-scale basic infrastructure, in, *inter alia*, the education, health, or productive natural resource management sectors; and (iii) such other activity and project as shall be identified by a Beneficiary Community and determined to be eligible pursuant to the POM (as hereafter defined) to be carried out by or, for the benefit of, such Beneficiary Community, utilizing the proceeds of a Community Grant made under Part A of the Project;

(g) “COPRODEP” means *Conseil du Projet de Développement Participatif*, a municipal development council established under the Project with membership drawn up primarily from CBO representatives and including, *inter alia*, representatives of civil society, NGOs, and local government and which is responsible under the Project for the pre-approval of Subprojects;

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(i) “Fiscal Year” and “FY” mean the Recipient’s fiscal year commencing October 1 and ending September 30 of the next calendar year;

(j) “General Directorate” means the management of the PL 480 Management Office referred to in Section 3.05 of this Agreement;

(k) “MDOD” means *Maître D’Ouvrage Délégué*, a service providing entity or individual, an NGO, or any private institution contracted under the Project to appraise Community Subprojects and provide technical assistance in the course of their implementation;

(l) “MPCE” means *Ministère de la Planification et de la Coopération Externe*, the Recipient’s Ministry of Planning and External Cooperation;

(m) “NGO” means a non-governmental organization established and operating pursuant to the laws of the Recipient;

(n) “Procurement Plan” means the Recipient’s procurement plan, dated June 15, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods of Project implementation;

(o) “Project Operational Manual” means the manual referred to in Section 3.04 (a) of this Agreement;

(p) “Project Year” and “PY” mean each twelve month period during Project Implementation starting from the day after the Effective Date and ending twelve calendar months thereafter, and each subsequent twelve month period thereafter until completion of the Project;

(q) “Service Agreement” means the agreement between the Recipient and each selected MDOD under the Project, as further referred to in Section 3.09 (a) of this Agreement;

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

(s) “UCP/PL 480” means *Unité de Coordination des Projets du Bureau de Gestion du PL 480, Titre III*, a unit established by the Recipient for the coordination of Project’s management and monitoring activities, as referred to in Section 3.05 of this Agreement.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty five million six hundred thousand Special Drawing Rights (SDR 25,600,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of: (i) the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by an MDOD on account of withdrawals made for the benefit of a Beneficiary Community under a Community Grant Agreement to meet the reasonable cost of goods, works and services required for the carrying out of a Community Subproject to be financed under Part A.1 of the Project, and in respect of which the withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in BRH (the PL 480/PRODEP account), on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

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

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

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

Section 2.05. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through UCP/PL 480, with due diligence and efficiency and in conformity with appropriate financial, public utility and administrative practices, and with due regard for environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with this Agreement and the Project Operational Manual.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of Project's objectives; and

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

Section 3.04. (a) the Recipient shall adopt the Project operational manual, satisfactory in form and substance to the Association, setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of: (A) Project activities; and (B) institutional arrangements in respect thereof;
- (ii) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents;
- (iii) the selection criteria for the MDODs, including the standard service agreements for the contracting of their services and the eligibility criteria for the Beneficiary Communities and the Community Subprojects;
- (iv) the environmental management plan disclosed to the general public on May 17, 2005 therein setting forth the guidelines and the framework for mitigating potential harmful effects of Community Subprojects' implementation with respect to, *inter alia*, cultural property preservation and pest management;
- (v) the capacity building and training activities to be carried out for purposes of the Project; and
- (vi) the plan for the monitoring, evaluation and supervision of the Project.

(b) The Recipient shall: (i) maintain the POM throughout Project implementation; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the POM; and (iii) only amend the POM, from time to time, with the Association's prior consent.

(c) In case of any conflict between the provisions of the POM and any one under this Agreement, the provisions of this Agreement will prevail.

Section 3.05. the Recipient shall:

(a) establish and thereafter maintain at all times during the implementation of the Project, a Project coordinating unit:

- (i) with staff appointed in accordance with the provisions of section III of Schedule 3 to this Agreement and having at all times during Project implementation, terms of reference, functions and resources satisfactory to the Association;

- (ii) which shall be responsible for the effective coordination of the Project, including the procurement, financial management, audit, and monitoring and evaluation aspects in relation thereto; and
 - (iii) which shall remain under the direct administrative authority of the General Directorate of the PL-480 Management Office to which it will report periodically, as specified in the POM;
- (b) ensure that the General Directorate:
- (i) is staffed at all times during Project implementation with personnel having functions, qualifications and experience satisfactory to the Association, notably, a General Director, a deputy General Director, an Administrative and Financial Director and a Project Coordinator; and
 - (ii) shall report to MPCE on the discharge of its functions and mandate concerning UCP/PL 480 activities, on a semi-annual basis;
- (c) ensure that UCP/PL 480, through MPCE, submits annual Project work plans and budget to the Association for its review and approval;
- (d) ensure that: (i) technical audits of the Project are carried out semi-annually in UCP/PL 480 and in each MDOD; and (ii) within 4 months thereafter, the ensuing audit reports are furnished to the Association for its review; and
- (e) cause UCP/PL 480 and each MDOD, during implementation of the Project, to furnish to the Association audited financial statements of their business activities within six (6) months of the close of the relevant annual fiscal year.

Section 3.06. The Recipient shall:

- (a) ensure, through UCP/PL 480, that the Community Subprojects are identified, appraised, approved, implemented, managed and evaluated in accordance with the procedures set forth or referred to in the POM; and

(b) carry out, on an annual basis, under terms of reference satisfactory to the Association: (i) an independent technical audit of physical activities and procurement review of the implementation of the Community Subprojects as carried out by the Beneficiary Communities themselves, focusing on the adherence to the guidelines and procedures set forth in the POM; and (ii) an assessment of the impact of the Project on Beneficiary Communities.

Section 3.07. No later than six (6) months after the Effective date, the Recipient shall carry out the first baseline survey for the Project.

Section 3.08. No later than three (3) months after the Effective date, the Recipient shall appoint the independent auditors referred to in Section 4.01 of this Agreement, with terms of reference satisfactory to the Association, and whom shall be selected in accordance with the provisions of Section III of Schedule 3 to this Agreement.

Section 3.09. The Recipient shall:

(a) enter into an agreement (the Service Agreement) with each eligible MDOD therein setting forth the respective obligations of the parties thereunder, notably with respect to the preparation, implementation and monitoring of Community Subprojects, including the provision of technical advisory services, the acquisition of goods and the carrying out of works in relation thereto, and the modalities for the transfer of funds to Beneficiary Communities to enable them to carry out their Community Subprojects, all in accordance with the guidelines set forth in the POM; and

(b) cause MDODs to enter into agreements (the Community Grant Agreements) with Beneficiary Communities wherein shall be specified, *inter alia*, the modalities for the provision of technical assistance and training to said Beneficiary Communities and the arrangements for the disbursement of funds in relation to the implementation of the Community Subprojects.

Section 3.10. The Recipient shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about July 31 in each year, 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 Association, by September 15 in each year, or such later date as the Association 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 Association's views on the matter.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall:

- (i) maintain a financial management system, including records and accounts and shall cause each MDOD to establish and maintain, for purposes of the Project, a financial management system, including records and accounts; and
- (ii) prepare semi-annual financial statements and shall cause each MDOD to prepare semi-annual financial reports which shall be used by the Recipient in preparing the said financial statements for the Project, all in accordance with consistently applied accounting standards acceptable to the Association adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements and the financial reports referred to in paragraph (a) (ii) of this Section semi-annually for each Fiscal Year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than four (4) months after the end of each such semester (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such semester (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Paragraph 5 of schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each semi-annual fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section 3.10 of this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

ARTICLE V

Effectiveness; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Grant Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Recipient has adopted the Project Operational Manual in form and substance satisfactory to the Association.

Section 5.02. The date December 8, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of the Recipient responsible for finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Ministère de l'Économie et des Finances
Palais des Ministères
Port-au-Prince
Republic of Haiti

Facsimile: (509)299 17 32

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America
Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

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

REPUBLIC OF HAITI

By /s/ Raymond Joseph

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caroline Anstey

Authorized Representative

SCHEDULE 1**Withdrawal of the Proceeds of the Grant****A. General**

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:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Community Grants	15,183,000	100% of amounts disbursed by the Recipient
(2) Goods	95,000	100 %
(3) Consultants' services, training and audits:		
(a) Service Agreements,	4,511,000	100 %
(b) other, including audits	2,357,000	100 %
(4) Operating costs	1,993,000	100 %
(5) Unallocated	1,461,000	
TOTAL	<u>25,600,000</u>	

2. For the purposes of this Schedule,

(a) the term "Operating costs" means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees; and

(b) the term "training" includes: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and

(iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,560,000, may be made on account of payments made for expenditures before that date but after May 16, 2005; and

(b) payments made out of Category (1) in the table of paragraph 1 above, unless a Community Grant Agreement for the Community Grant in question, including whenever applicable, environmental mitigations measures in respect thereof, shall have been entered into between the relevant Beneficiary Community and an MDOD, all in accordance with the procedures, terms and conditions set forth in the Project Operational Manual.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditures under such terms and conditions as the Association shall specify by notice to the Recipient, including for expenditures made under contracts not subject to the Association's Prior Review pursuant to the terms of Section IV of Schedule 3 to this Agreement.

5. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements).

6. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in implementing the direct transfer of public resources to local community organizations in poor rural and peri-urban communities: (i) to improve their access to basic social and economic infrastructure and support income-generating activities by financing small-scale investments proposed, implemented and managed by said community organizations; and (ii) to improve community governance and build social capital of communities through an increase in citizen participation and transparency in open decision-making processes.

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

Part A: Access of the Poor to Basic Social Services and Community Infrastructure

Facilitating access of the poor to basic social, economic and infrastructure services by fostering the development of community-based mechanisms therefor, through:

1. the carrying out of Community Subprojects through the provision of Community Grants to Beneficiary Communities;
2. the provision of technical advisory services to Beneficiary Communities for the preparation, implementation and monitoring of the Community Subprojects, including, *inter alia*, the carrying out of training programs in design and construction of selected small-scale infrastructure and related procurement and supervision of civil works therefor; and
3. the carrying out of training programs for COPRODEPs to enable them to monitor, supervise and provide technical assistance to the Beneficiary Communities.

Part B: Institutional Strengthening

Strengthening the delivery of and social, economic and infrastructure services through:

1. the provision of training, notably in financial management and accounting, to community level implementation structures, including COPRODEPs, MDODs, staff of municipal government and regional representatives of the central government;
2. the organization of workshops for MDODs to enable them to provide the relevant technical assistance to Beneficiary Communities for the implementation of their Community Subproject; and
3. the carrying out of training programs to strengthen capacity for Project supervision in UCP/PL 480 and the provision of support for the preparation of a medium to long term national strategy for community-driven development.

Part C: Project Administration, Monitoring and Evaluation

The provision of support to UCP/PL 480 in respect of the coordination, monitoring, supervision, and evaluation of the Project, including the establishment of a monitoring and evaluation system in relation thereto.

* * *

The Project is expected to be completed by December 31, 2009.

SCHEDULE 3

Procurement

Section I. General

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

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

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

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

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

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

(b) Procurement of all goods and works under this Part B.1 shall be carried out using standard bidding documents acceptable to the Association.

2. Shopping. Goods estimated to cost less than \$25,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may, with the Association's prior consent, be procured in accordance with the provisions of said procurement method.
4. Community Participation. Goods, works and services required for Part A.1 of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the POM.

Section III. Particular Methods of Procurement of Consultants' Services

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

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.
2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.
3. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, with the Association's prior agreement.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. Wherever the Procurement Plan shall provide for the prior review of contracts for the employment of individual consultants, 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 furnished to the Association for its prior approval.

All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories means Categories (1) through (4) 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 \$3,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000, until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 4,000,000.
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 Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

- (d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

SCHEDULE 5

Modifications to the General Conditions

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

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. *Application of General Conditions*

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
 - (b) The words “The principal of and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

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

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

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

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

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

“Section 4.03. *Amount of the Grant*

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

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

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

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item

in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:
 - (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
 - (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.
9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”
10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

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