

CONFORMED COPY

TF024832

Trust Fund Grant Agreement

(Community Development Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(Acting as Administrator for the Trust Fund for Kosovo)

and

COMMUNITY DEVELOPMENT FUND

Dated December 21, 2000

TF024832

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated as of December 21, 2000, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Administrator) and COMMUNITY DEVELOPMENT FUND (the Recipient).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development (Bank) and the International Development Association, acting on the recommendation of its Board of Executive Directors, decided on September 30, 1999, to transfer from Bank surplus, by way of grant, \$25,000,000 to a trust fund (the Trust Fund) for Kosovo, Federal Republic of Yugoslavia (Serbia and Montenegro) (Kosovo), established by Resolutions of the Executive Directors of the Bank (Resolution No. 99-7) and the International Development Association (Resolution No. IDA 99-4), to be administered by the Administrator, to be used for financing an emergency reconstruction program in the territory of Kosovo;

(B) the Board of Governors of the Bank further decided on September 27, 2000, to transfer from Bank surplus, an additional amount of \$35,000,000 (Additional Contribution) to the Trust Fund;

(C) the Recipient, having demonstrated the capacity to implement the project described in Schedule 2 to this Agreement (the Project), has requested the Administrator to assist, from the Additional Contribution, in the financing of the Project;

(D) the United Nations Interim Administration Mission in Kosovo, a transitional administration established pursuant to the United Nations Security Council Resolution 1244 on June 10, 1999, (UNMIK), has endorsed the Project;

(E) the Recipient intends to obtain from the government of the Netherlands a grant in an amount approximately equivalent to four million Dollars (\$4,000,000) (the Netherlands Grant), to assist in financing the Project on the terms and conditions set forth in a grant agreement to be entered into between the Recipient and the Netherlands (the Netherlands Grant Agreement); and

WHEREAS the Administrator 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 (the General Conditions) set forth in Schedule 4 to this Agreement constitute an integral part of this Agreement.

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

(a) "Beneficiary" means an individual, or a group of individuals, to whom, or for whose benefit, a Subproject (as hereinafter defined) is being implemented or proposed to be implemented;

(b) "CDF" means Community Development Fund, an autonomous non-governmental organization, established in November 8, 2000, to carry out the activities under the Project, and governed by the Statutes of the Community Development Fund (the Statutes) registered in Kosovo in accordance with the UNMIK Regulation No. 1999/22 dated November 15, 1999;

(c) "DEM" means Deutsche Marks;

(d) "Eligible Categories" means the categories set forth in the table in Part A of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means the expenditures for goods, works, services and Sub-Grant (as hereinafter defined) under the Project;

(f) "Operational Manual" means the Project implementation and operation manual to be adopted by the Recipient, pursuant to Section 6.01 of this Agreement, setting forth the procedures governing the operation of the Project, to be used by the Recipient to govern the Project operations, as the same may be amended from time to time, and such term includes any schedules to the Operational Manual;

(g) "Project Management Report" or "PMR" means each report prepared in accordance with Section 4.02.(b) of this Agreement;

(h) "Sub-Grant" means a sub-grant made, or proposed to be made, to finance a Sub-Project (as hereinafter defined);

(i) "Subproject" means a specific development project financed, or proposed to be financed, through grants extended under Part A of the Project;

(j) "Subproject Agreement" means an agreement to be entered into between the Recipient and a Beneficiary for the execution of a Subproject; and

(k) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on a grant basis and on the terms and conditions set forth or referred to in this Agreement, a grant in DEM in an amount equivalent to five million Dollars (\$5,000,000).

Section 2.02. 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 Administrator shall so agree, to be made), in respect of the reasonable cost of goods, services and works required for the Project described in Schedule 2 to this Agreement (other than Part A thereof), and to be financed out of the proceeds of the Grant and amounts paid (or if the Administrator shall so agree, to be paid) by the Recipient on account of withdrawals made by a Beneficiary under a Subproject to meet the reasonable cost of works, goods and services required for a Subproject and in respect of which the withdrawals from the Grant Account are requested.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. The Recipient declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall implement the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, in accordance with this Agreement.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of goods, works and consultants' 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.

Section 3.03. For the purposes of Section 1.23 of the General Conditions and without limitation thereto, the Recipient shall:

(a) (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon from time to time between the Recipient and the Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(ii) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about March 30, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (i) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(iii) review with the Administrator, by June 30, 2002, or such later date as the Administrator shall request, the report referred to in subparagraph (ii) of this paragraph, 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 Administrator's views on the matter.

- (b) (i) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator 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 Administrator, a plan designed to ensure the continued achievement of the Project's objectives; and
- (ii) afford the Administrator a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. Except as the Association shall otherwise agree, in the carrying out of the Project, the Recipient shall: (i) apply the criteria, policies, procedures and guidelines set out in the Operational Manual; and (ii) not amend, waive, abrogate, or permit to be amended or abrogated, the Operational Manual or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

Section 3.05. Without limitation to the provision of Section 3.04 above, in carrying out the Subprojects under Part A of the Project, the Recipient shall (i) ensure that every Subproject is fully consistent with environmental criteria set out in the Operational Manual, and where appropriate, mitigation measures designed to minimize adverse effects of proposed Subprojects are identified and incorporated in the Subprojects design; (ii) mobilize financial resources required to ensure that beneficiary communities continue to meet their obligations to provide an adequate, regular and sustainable maintenance of the infrastructure developed by the Beneficiary with the proceeds of the Sub-Grant; and (iii) appraise Subprojects and supervise, monitor and report on the carrying out Subprojects, in accordance with procedures satisfactory to the Administrator.

Section. 3.06. Without limitation upon the provisions of section 3.04 above, the Recipient shall submit to the Association, for their review or approval, as the case may be:

- (a) not later than January 31 of each year, a proposed annual work program, in respect of Part A of the Project, including a proposed budget and financing plan, for the forthcoming fiscal year; and
- (b) semiannual and annual progress reports on the status of Part A of the Project, including regular Beneficiary feedback reports and Subproject completion reports.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Administrator, consistently applied, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Recipient shall:

- (i) ensure that the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year are audited, in accordance with auditing standards acceptable to the Administrator consistently applied, by independent auditors acceptable to the Administrator;

- (ii) furnish to the Administrator as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts, and report of such audit by said auditors of such scope and in such detail as the Administrator shall have

reasonably requested by the Administrator; and

(iii) furnish to the Administrator such other information concerning said records and accounts, and the audit thereof, and concerning said auditors, as the Administrator 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 ensure that:

(i) in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures are maintained;

(ii) until at least one (1) year after the Administrator 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 are retained;

(iii) the Administrator's representatives are able to examine such records; and

(iv) such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (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 Administrator 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 September 30, 2001, or such later date as the Administrator shall agree, to prepare quarterly Project management reports, acceptable to the Administrator, 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 (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; 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 Administrator and furnish to the Administrator not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

Section 4.03 (a) CDF shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) CDF shall:

(i) have the records, accounts, and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent, internationally recognized auditors;

(ii) furnish to the Administrator as soon as available, but in any case not later than six (6) months after the end of each such year: (A)

certified copies of its financial statements for such year so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator, under a confidentiality agreement, such other information concerning such records, accounts and financial statements and the audit thereof as the Administrator shall from time to time reasonably request.

## ARTICLE V

### Remedies of the Administrator

Section 5.01. Pursuant to Section 1.15 (c) of the General Conditions, the following additional events are specified:

(a) that the Statutes shall have been amended, abrogated, repealed or waived so as to affect materially and adversely the operation of the Recipient, and which shall make it improbable that the Recipient will be able to perform its obligations under this Agreement;

(b) that the Operational Manual shall have been amended, abrogated or waived; and

(c) (i) subject to subparagraph (ii) of this paragraph the right of the Recipient to withdraw the proceeds of the Netherlands Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Netherlands Grant Agreement; and

(ii) subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

## ARTICLE VI

### Effectiveness; Termination

Section 6.01. This Agreement shall not become effective until CDF has adopted an Operational Manual in form and substance satisfactory to the Administrator.

Section 6.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties have fulfilled their obligations thereunder.

## ARTICLE VII

### Representative of the Recipient; Addresses

Section 7.01. The Executive Director is designated as representative of the Recipient for the purposes of any modification or amplification or any other actions referred to in Section 1.28 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 1.25 of the General Conditions:

For the Administrator:

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

1-202-477-6391

Community Development Fund  
Rruga Dukagjin 68,  
Prishtina  
Kosovo

( 381-38 )

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

Authorized Representative

Authorized Representative

## 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 for Subprojects	3,080,000	100%
(2) Consultants' services including training	999,800	100%
(3) Operating Costs	920,200	100%

TOTAL

5,000,000

For the purpose of the table above, the term "Operating Costs" means the incremental expenses incurred by CDF on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement; and (b) in respect of a Sub-Grant unless the Sub-Grant has been made in accordance with the criteria and procedures set forth in the Operational Manual and on terms and conditions set forth or referred to in Section 3.05 of this Agreement.

3. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for works costing less than \$85,000 equivalent each, with the exception of the first 3 contracts awarded on the basis of national competitive bidding procedures described in Part C.1 of Section I of Schedule 3 to this Agreement, and the first 5 contracts awarded on the basis of minor works procedures described in Part C.3 of Section I of Schedule 3 to this Agreement; (b) contracts for goods costing less than \$40,000 equivalent each, with the exception of the first 3 contracts awarded on the basis of national shopping procedures described in Part C.2 of Section I of Schedule 3 to this Agreement; (c) payments made by CDF on account of Sub-Grants, not exceeding \$85,000 equivalent each; (d) contracts for services of consulting firms costing less than \$50,000 equivalent each (e) contracts for services of individual consultants costing less than \$25,000 equivalent each; and (f) Operating Costs, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

B. Special Account

1. The Recipient shall open and maintain in DEM a special deposit account, in a commercial bank, on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure and attachment.

2. After the Administrator has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Administrator shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Recipient for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Administrator of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Recipient for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if the Administrator determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Administrator determines at any time that all further withdrawals should be made by the Recipient directly from the Grant Account; or



(c) if the Recipient shall have failed to furnish to the Administrator, 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 Administrator pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Administrator shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Administrator 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 Section 1.15 of the General Conditions. Upon such notification, the Administrator shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Administrator determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator, provide such additional evidence as the Administrator may request, or deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator made pursuant to sub-paragraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equivalent to DEM 1,100,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to DEM 800,000 until the aggregate amount of withdrawals from the Grant Account, plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 1.07 of the General Conditions, shall equal or exceed the equivalent of \$1,000,000.

2. 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 Administrator a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Administrator 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.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposit into the Special Account at such intervals as

the Administrator shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator 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. Each such deposit into the Special Account shall be withdrawn by the Administrator from the Grant Account under one or more of the Eligible Categories.

3. The Administrator shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 1.07 of the General Conditions, 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 shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals are Made On the Basis of Project Management Reports

1. Except as the Administrator may otherwise specify by notice to the Recipient, all withdrawals from the Grant Account shall be deposited by the Administrator into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Administrator from the Grant Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Grant Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Grant, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Administrator has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of DEM1,300,000.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (a) improve the access and quality of community infrastructure and services in selected poor and war-affected communities in Kosovo; and (b) support institutional capacity-building at the municipal and community level through the promotion of public participation and sound resource management.

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

Part A: Community Investment Sub-projects

Promotion, appraisal, design, carrying out, supervision and evaluation of

small-scale Subprojects, including integrated programs of infrastructure investment combined with programs that contribute to improve service delivery, community services for capacity building, as well as training in operation and maintenance, and management, and provision of sub-Grants for the financing thereof.

Part B: Institutional Capacity Building

Strengthening the operational capacity of the Beneficiaries through the provision of technical advisory services and training to build capacity to (a) plan, manage, operate and maintain investments and improve the quality and availability of service provision; (b) increase the professionalism and capacity of private contractors; and (c) expand linkages and partnerships between communities, municipalities and other key partners in order to improve service delivery.

Part C: Project Management

Financing of salaries and operating costs, provision of technical advisory services, and acquisition of equipment and material for the benefit of the Recipient for the overall implementation of the Project.

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods 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 Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works 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

Small works estimated to cost \$85,000 equivalent or less per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$40,000 equivalent per contract, up to an aggregate amount not to exceed \$270,000 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.

3. Procurement of Minor Works

Minor works estimated to cost less than \$35,000 equivalent per contract, up to an aggregate amount not to exceed \$715,000 equivalent, 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 Bank, 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.

#### 4. Community Participation

Goods and works required for Part A of the Project which cannot be procured under the methods referred to in paragraphs 1, 2 and 3 above, shall be procured in accordance with the method described in paragraph 3.15 of the Guidelines, in accordance with procedures acceptable to the Administrator and specified in the Operational Manual

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

##### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association 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 Association, and with the provisions of said paragraph 1.

##### 2. Prior Review

With respect to (i) all contracts for Part B of this Section, (ii) the first 3 contracts under Part C.1 of this Section, (iii) the first 3 contracts under Part C.2 of this Section, (iv) the first 5 contracts under Part C.3 of this Section, and (iv) all contracts under Part C.4 of this Section, the procedures set forth in paragraphs 2 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 Administrator in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

##### 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. Selection Based on Consultants' Qualifications

Services for project design and supervision, beneficiary assessments, technical reviews, and community services projects, estimated to cost less than \$685,000 equivalent in the aggregate may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

##### 2. Individual Consultants

Services for Subproject design, studies and supervision, special studies, training on Subproject management and operation, capacity building, community training, and tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, estimated to cost less than \$633,000 in the aggregate, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of 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 Association 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 Association, 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 Administrator for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) Notwithstanding the provisions of sub-paragraphs (a) and (b) above, with respect to the first 3 contracts for the employment of consulting firms, and the first three contracts for the employment of individual consultants, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

General Conditions

Section 1.01. Application of General Conditions

Without limitation or restriction upon the scope of any other provisions of this Agreement, these General Conditions set forth certain basic terms and conditions applicable to this Agreement.

Section 1.02. Definitions

The following terms have the following meanings wherever used in these General Conditions:

(a) "Administrator" means the International Development Association, acting as administrator of the Trust Fund.

(b) "Grant" means the grant provided for in this Agreement.

(c) "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.

(d) "Grant Account" means the account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited.

(e) "Project" means the project for which the Grant is made, as described in Schedule 2 to this Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Administrator.

(f) "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.

(g) "Closing Date" means the date specified in Section 2.03 of this Agreement after which the Administrator may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.

#### Section 1.03. Grant Account

The amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom by the Recipient as provided in this Agreement and in these General Conditions.

#### Section 1.04. Currencies in which Withdrawals are to be Made

Except as the Recipient and the Administrator shall otherwise agree, withdrawals from the Grant Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Grant have been paid or are payable.

#### Section 1.05. Valuation of Currencies

Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Administrator.

#### Section 1.06. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from the Grant Account amounts expended or, if the Administrator shall so agree, amounts to be expended for the Project in accordance with the provisions of this Agreement and of these General Conditions. Except as the Administrator and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Administrator, or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

#### Section 1.07. Special Commitments by the Administrator

Upon the Recipient's request and upon such terms and conditions as shall be agreed upon between the Recipient and the Administrator, the Administrator may enter into special commitments in writing to pay amounts to the Recipient or others in respect of expenditures to be financed out of the proceeds of the Grant notwithstanding any subsequent suspension or cancellation by the Administrator or the Recipient.

#### Section 1.08. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Administrator to enter into a special commitment pursuant to Section 1.06 of the General Conditions, the Recipient, or the person designated under Section 2.04 of this Agreement, shall deliver to the Administrator a written application in such form, and containing such statements and agreements, as the Administrator shall reasonably request. Applications for withdrawal, including the documentation required therefor, shall be made promptly in relation to expenditures for the Project.

#### Section 1.09. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in this Agreement, if the Administrator has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in this Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Administrator may, by notice to the Recipient:

(a) reallocate to such category, to the extent required to meet the estimated shortfall, proceeds of the Grant which are then allocated to another category and which in the opinion of the Administrator are not needed to meet other expenditures; and

(b) if such reallocation cannot fully meet the estimated shortfall, reduce the percentage for withdrawal then applicable to such expenditures in order that further withdrawals under such category may continue until all expenditures thereunder shall have been made.

#### Section 1.10. Evidence of Authority to Sign Applications for Withdrawal

The Recipient shall furnish to the Administrator evidence of the authority of the person or persons authorized to sign applications for withdrawal and the authenticated specimen signature of any such person.

#### Section 1.11. Supporting Evidence

The Recipient shall furnish to the Administrator such documents and other evidence in support of the application as the Administrator shall reasonably request, whether before or after the Administrator shall have permitted any withdrawal requested in the application.

#### Section 1.12. Sufficiency of Applications and Documents

Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Administrator that the Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in this Agreement.

#### Section 1.13. Treatment of Taxes

It is the policy of the Administrator that no proceeds of the Grant shall be withdrawn on account of payments for any taxes levied in the territory in which the Recipient is located on goods or services, or on the importation, manufacture, procurement or supply thereof. To that end, if the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant decreases or increases, the Administrator may, by notice to the Recipient, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in this Agreement as required to be consistent with such policy of the Administrator.

#### Section 1.14. Payment by the Administrator

The Administrator shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

#### Section 1.15. Suspension by the Administrator

If any of the following events of suspension shall have occurred and be continuing, the Administrator may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to perform any obligation under this Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under this Agreement.

(c) Any other event specified in this Agreement for the purposes of this Section shall have occurred.

The right of the Recipient to make withdrawals from the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to suspension shall have ceased to exist, unless the Administrator shall have notified the Recipient that the right to make withdrawals has been restored in whole or in part, as the case may be.

#### Section 1.16. Cancellation by the Administrator

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

#### Section 1.17. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Administrator

No cancellation or suspension by the Administrator shall apply to amounts subject to any special commitment entered into by the Administrator pursuant to Section 1.07 of the General Conditions except as expressly provided in such commitment.

#### Section 1.18. Effectiveness of Provisions after Suspension or Cancellation

Notwithstanding any cancellation or suspension, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Agreement.

#### Section 1.19. Cooperation and Information

The Recipient and the Administrator shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Administrator shall:

(i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Project, the purposes of the Grant, and the performance of their respective obligations under this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

(ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

#### Section 1.20. Insurance

The Recipient shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the



Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

#### Section 1.21. Use of Goods, Works and Services

Except as the Administrator shall otherwise agree, the Recipient shall cause all goods, works and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Project.

#### Section 1.22. Plans and Schedules

The Recipient shall furnish, or cause to be furnished, to the Administrator promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Administrator shall reasonably request.

#### Section 1.23. Records and Reports

(a) The Recipient shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works or services financed out of the proceeds of the Grant, and to disclose their use in the Project; (ii) enable the Administrator's representatives to visit any facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement; and (iii) furnish to the Administrator at regular intervals all such information as the Administrator shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Grant and the goods, works and services financed out of such proceeds.

(b) Upon the award of any contract for goods, works or services to be financed out of the proceeds of the Grant, the Administrator may publish a description thereof, the name and nationality of the party to which the contract was awarded and the contract price.

(c) Promptly after completion of the Project, but in any event 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 Administrator, the Recipient shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Administrator of their respective obligations under this Agreement and the accomplishment of the purposes of the Grant.

#### Section 1.24. Maintenance

The Recipient shall at all times operate and maintain, or cause to be operated and maintained, any facilities relevant to the Project, and promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

#### Section 1.25. Land Acquisition

The Recipient shall cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Administrator, promptly upon its request, evidence satisfactory to the Administrator that such land and rights in respect of land are available for purposes related to the Project.

#### Section 1.26. Notices and Requests

Any notice or request required or permitted to be given or made under this Agreement and any other agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or

made when it shall be delivered by hand or by mail, telegram, cable, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address specified in this Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Delivery made by facsimile transmission shall be confirmed by mail.

#### Section 1.27. Evidence of Authority

The Recipient shall furnish to the Administrator sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under this Agreement, and the authenticated specimen signature of each such person.

#### Section 1.28. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in this Agreement for the purposes of this Section or any person thereunto authorized in writing by such representative. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Recipient by written instrument executed on behalf of the Recipient by the representative so designated or any person thereunto authorized in writing by such representative, provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under this Agreement. The Administrator may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

#### Section 1.29. Settlement of Disputes

Any dispute arising out of, or relating to, this Agreement, which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.

#### Section 1.30. Execution in Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original.

