

CONFORMED COPY

IDA GRANT NUMBER H096 KG
JAPANESE GRANT NUMBER TF053437 KG

Development Grant Agreement

(Disaster Hazard Mitigation Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 23, 2004

**IDA GRANT NUMBER H096 KG
JAPANESE GRANT NUMBER TF053437 KG**

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated July 23, 2004, between the KYRGYZ REPUBLIC (the Recipient) and the 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;

(B) the Government of Japan has agreed to provide a grant in an amount equivalent to one million nine hundred fifty thousand Dollars (\$1,950,000) (the Japanese Grant) to assist in the financing of the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and the Association as the administrator of grant funds provided by the Government of Japan (the Japanese Grant Agreement); and

WHEREAS 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; and

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 6 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) "EA" means the environmental assessment to be carried out by the Recipient during the Project implementation and referred to in paragraph 8 (a) of Schedule 4 to this Agreement;

(b) “EMP” means the Environmental Management Plan prepared and adopted by the Recipient on March 30, 2004, describing the environmental mitigation and monitoring measures under the Project;

(c) “ERC” means the Emergency Response Center maintained by the Recipient and referred to in Part B.1 (c) of Schedule 2 to this Agreement;

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

(e) “MEE” means the Ministry of Ecology and Emergencies of the Recipient or any legal successor thereto;

(f) “National Emergency Management Committee” means the committee to be established by the Recipient and referred to in paragraph 9 of Schedule 4 to this Agreement;

(g) “Panel of Experts” means the panel of independent experts to be established and maintained by the Recipient and referred to in paragraph 8 (b) of Schedule 4 to this Agreement;

(h) “PIU” means the Project Implementation Unit within the MEE which will be responsible for overall implementation, management and coordination of the Project;

(i) “Procurement Plan” means the Recipient’s procurement plan, dated April 27, 2004, 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 18 month periods (or longer) of Project implementation;

(j) “Project Implementation Plan” or “PIP” means the project implementation plan for the carrying out of the Project prepared and adopted by the Recipient, as the same may be amended from time to time with the agreement of the Association; and

(k) “Special Account” means the account referred to in Section 2.02 (b) 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 four million seven hundred thousand Special Drawing Rights (SDR 4,700,000).

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 the reasonable cost of goods, works and services required for carrying out of the Project and to be financed out of the proceeds of the Grant.

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

Section 2.03. (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 (60) 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 2.04. Commitment charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.05. The Closing Date shall be March 31, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its MEE with due diligence and efficiency and in conformity with appropriate financial, economic, environmental and administrative 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 the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the 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, 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 twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements 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 referred to in paragraph (a) of this Section 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 six (6) months after the end of each such year (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 year (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 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 statements of expenditure are included in the audit for each 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 paragraph 5 of Schedule 5 to 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 forty-five (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 forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) that the Japanese Grant Agreement, as the case may be, shall have failed to become effective by December 31, 2004, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that 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; and

- (b) (i) subject to subparagraph (ii) of this paragraph the right of the Recipient to withdraw the proceeds of the Japanese Grant or shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Japanese Grant Agreement; and
- (ii) subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Japanese Grant 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

Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance of the Kyrgyz Republic
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

Telex:

Facsimile:

245-156NUR KH

(996 312) 661645

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)
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 Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By /s/ Bolot Abildaev

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Christopher Lovelace

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works for:		
(a) Parts A.1, A.2, A.3, A.4 and A.5 of the Project	1,020,000	85%
(b) Part A.6 of the Project	1,770,000	85%
(2) Goods	817,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services, including audit	375,000	85% of expenditures for services of consultants domiciled within the territory of the Recipient, 100% of eligible social charges for such consultants and 72% of foreign expenditures for services of other consultants

Amount of the

<u>Category</u>	<u>Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training	286,000	100%
(5) Incremental operating costs	90,000	100% of eligible social charges and 85% of other expenditures
(6) Unallocated	<u>342,000</u>	
TOTAL	<u>4,700,000</u>	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Recipient for goods or services supplied from the territory of the Recipient;

(c) the term “eligible social charges” means any payments, premia, or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, which constitute payment for the drawdown of future benefits to the PIU staff concerned;

(d) the term “training” means expenditures incurred on account of Project related study tours, training courses, seminars, workshops and other training activities, including travel and per diem costs of trainees and trainers; and

(e) the term “incremental operating costs” means the incremental expenses incurred by the PIU on account of the Project implementation such as the costs of communication, printing and publications, translation, supplies, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, remuneration for PIU support staff, social charges, the costs of operation and maintenance of ERC’s equipment, and such other reasonable expenditures as may be agreed upon by the Association, all based on an annual budget to be prepared by the PIU which shall have been approved by the Association.

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: (i) an amount not exceeding the equivalent of SDR 75,000 may be made in respect of Category (1) (a); (ii) an amount not exceeding the equivalent of SDR 20,000 may be made in respect of Category (3); and (iii) an amount not exceeding the equivalent of SDR 5,000 may be made in respect of Category (5) in the table in paragraph 1 of Schedule 1 to this Agreement on account of payments made for expenditures before that date but after June 15, 2004; and (b) expenditures under Category (1) (b) in the table in paragraph 1 of Schedule 1 to this Agreement unless the Association has agreed to the priority activities option as determined in the feasibility and design study referred to in Part A.6 of Schedule 2 to this Agreement.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$1,000,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms and services under contracts costing less than \$25,000 equivalent each for individual consultants; (d) training; and (e) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Recipient.

5. 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 objective of the Project is to assist the Recipient in: (a) minimizing the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; (b) improving the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and (c) reducing the potential loss of life and property in key landslide areas of the country.

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: Uranium Mining Wastes Isolation and Protection

1. Unloading of unstable top of “Tectonic triangle” landslide to reduce risk of impact on Tailing No. 3.
2. Tailings and waste dumps inspection and rehabilitation, including improving surface drainage around tailing and waste dump areas, measures to reduce radiological exposure from tailings and waste dumps, and moving of two small waste dumps.
3. Implementation of a surface water drainage system around the boundary of Koi-Tash landslide to capture and remove water runoff to reduce risk of reactivation.
4. Installation on top of Tectonic and Koi-Tash landslides of monitoring and warning systems, including a global positioning system, piezometers, extensometers, and seismic monitoring stations, and linkage to central early warning systems in Mailuu-Suu and surrounding villages.
5. Implementation of protection systems to prevent erosion of tailings along selected sections of Mailuu-Suu and Alympa- Say rivers.
6. Carrying out the priority activities with regard to tailings and landslides, as determined by the feasibility and design study on the options for a long-term solution at Mailuu-Suu, and provision of financing for a Panel of Experts.

Part B: Disaster Preparedness and Monitoring

1. Capacity building for Government agencies and local communities in the Project area by: (a) preparing regulations on disaster management and a national disaster response plan; (b) carrying out training, study tours and awareness raising programs;

(c) providing equipment to improve emergency response systems, including provision of equipment for the ERC; and (d) carrying out technical, social and environmental audits.

2. Carrying out a study of major landslides and installing real time monitoring and early warning systems, installation of seismic measurement and forecasting equipment and earthquake detectors, and providing a mobile seismic assessment station.

3. Installation in Mailuu-Suu of a weather station, a river flow gauging station, water quality monitoring and radon capture devices, including preparing a baseline map of contamination and implementation of a program on impact of tailings on health.

Part C: Project Management Support

Strengthening the PIU's Project implementation and management capacity through the financing of training, equipment, rehabilitation of the Project offices in Bishkek, Osh, Jalal Abad and Mailuu-Suu, incremental operating costs and audit, and salaries of professional staff of PIU, including technical assistance management consultant.

* * *

The Project is expected to be completed by September 30, 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 for Procurement under IBRD Loans and IDA Credits" 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 Borrowers" 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

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 and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

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. 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.

2. 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.

3. 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 subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Annex To

SCHEDULE 3

For the purposes of Part B.1 of Section II of Schedule 3 to the Development Grant Agreement and unless otherwise agreed between the Recipient and the Association, the National Competitive Bidding Procedures of the Recipient shall, inter alia, include the following:

A. Registration and Licensing

(a) Bidding shall not be restricted to pre-registered/licensed firms.

(b) Where registration or licensing is required, bidders: (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

(c) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license.

B. Advertising

Invitations to bid shall be advertised in the Bulletin of State Procurement and in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.

C. Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical, and financial requirements shall be explicitly stated in the pre-qualification documents.

D. Participation by Government-owned enterprises

Government-owned enterprises in the Kyrgyz Republic shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works, or services, acceptable to the Association.

F. Bid Opening and Bid Evaluation

(a) Bids shall be opened in public, immediately after the deadline for submission of bids.

(b) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.

(c) Domestic preference should not be applied.

(d) Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

G. Price Adjustment

Civil works contracts of long duration (for example, more than eighteen (18) months) shall contain an appropriate price adjustment clause.

H. Rejection of Bids

All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

I. Rejection of an Individual Bid

An individual bid shall be rejected only in the following cases:

(a) the bidder is not qualified;

(b) the bidder does not accept the correction of an arithmetical error in his tender by the Tender Commission of the Procuring Entity;

(c) the tender is not responsive to the requirements of the tender documents;
or

(d) under the circumstances referred to in Article 6 of the Law on State Procurement of Goods, Construction and Services.

J. Government Resolution No. 486 of July 18, 2002

The provisions of the above listed Resolution shall not be applied.

K. State unit costs shall not be used for bidding and evaluation of bids for civil works contracts.

SCHEDULE 4

Implementation Program

1. The Recipient shall carry out the Project through the MEE.
2. The Recipient shall ensure that MEE maintains the PIU during execution of the Project, with staffing and resources adequate to enable the PIU to effectively implement the Project, which shall be responsible for day to day implementation and management, including financial management, procurement, disbursement, and preparation of progress reports and annual reports, and FMRs in respect of or related to the Project.
3. The Recipient, through MEE, shall take all necessary measures to implement the Project in accordance with the PIP and shall not amend, suspend, abrogate, repeal or waive any provision of the PIP without prior approval of the Association.
4. The Recipient shall ensure that all necessary measures for the carrying out of the EMP shall be taken in a timely manner and it shall not amend, suspend, abrogate, repeal or waive any provision of the EMP without prior approval of the Association.
5. The Recipient shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the 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 March 31, 2007, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, 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 June 30, 2007, or such later date as the Association shall request, the report referred to in sub-paragraph (b) 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 Association's views on the matter.

6. The Recipient, through MEE, shall: (a) prepare and furnish to the Association for its review and concurrence by October 31 each year an annual work program and budget for the Project for the following calendar year, including financing plans; and (b) within fourteen (14) days after the approval of the State budget of the Recipient each year finalize said program based on the Association's comments.

7. The Recipient, through MEE, shall ensure that any training or study tour for the Project shall be carried out in accordance with an annual training plan to be prepared by the PIU which shall have been approved by the Association prior to its implementation.

8. The Recipient agrees that if priority activities referred to in Part A.6 of the Project, as determined in the feasibility and design study, will result in moving any tailing or waste dump, the Recipient, through MEE, shall: (a) carry out a full scale EA in compliance with the Bank's Operational Policy 4.01; and (b) establish, not later than thirty (30) days after the date of the Association's approval of the priority activities option at Mailuu-Suu, an independent Panel of Experts as appropriate under the Bank's Operational Policy 4.01 and Operational Policy 4.37 with the composition and terms of reference which shall have been approved by the Association.

9. The Recipient, through MEE shall, not later than December 31, 2005, establish and maintain, thereafter, until the completion of the Project, a National Emergency Management Committee, chaired by MEE, with membership from relevant ministries and agencies involved in disaster emergency management and response in a manner and under terms of reference satisfactory to the Association, and shall assign to it the responsibility for overseeing the Project implementation and resolving any issue related to inter-governmental agency coordination of the Project activities.

10. The Recipient, through MEE, shall ensure that any activity under Part A of the Project set forth in Schedule 2 to this Agreement is carried out by the PIU in conformity with the appropriate environmental standards and procedures which shall, inter alia, include those set forth below:

(a) any activity under Part A of the Project shall be carried out in conformity with the international and regional environmental arrangements to which the Recipient is a party;

(b) any activity under Part A of the Project shall be carried out in conformity with local and national environmental laws and standards, and its design and implementation shall provide for adequate mitigation measures to ensure full compliance with local and national health, environmental and safety standards and requirements;

(c) any activity under Part A of the Project shall be carried out in accordance with the EMP requirements with a view to address the risk of encountering unknown archaeological or historical or cultural sites, and by adopting and following appropriate national and local laws and procedures, satisfactory to the Association; and

(d) any activity under Part A of the Project shall be carried out with due diligence and efficiency under the supervision of qualified and experienced management, assisted by competent PIU staff in adequate numbers, satisfactory to Association, and in accordance with appropriate administrative, financial, technical, and engineering standards, satisfactory to the Association.

11. The Recipient, through MEE, shall ensure that the representatives of the Association, if the Association shall so request, will have access to, and may inspect, if necessary, the Project sites, works, plants, goods and constructions under the Project, the operation thereof, and Project relevant records and documents.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works 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 \$500,000 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 \$250,000 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 1,500,000.
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 6

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) and (b), 3.05, 6.05, 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” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.
 - (d) The term “Credit Account” is modified to read “Grant Account”.
 - (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Article IV is modified as follows:
 - (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

“*Section 4.02. Currencies in which Commitment Charges are Payable*”

 - (a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant 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 “commitment charge”.

- (c) Section 4.03 and its heading are 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.”

4. The words “The principal of, and service charges on” in paragraph (b) of Section 4.06 are modified to read “The commitment charge on”.

5. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

6. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

7. 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.”