

CONFORMED COPY

GRANT NUMBER TF054782-LIB

Trust Fund for Liberia Grant Agreement

(Community Empowerment Project)

between

THE REPUBLIC OF LIBERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund for Liberia)

Dated March 1, 2005

GRANT NUMBER TF054782-LIB

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated March 1, 2005, between THE REPUBLIC OF LIBERIA (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as administrator of the Trust Fund for Liberia (TFLIB), established on August 25, 2004, by Resolution No. IDA 2004-007 and Resolution No. 2004-008, of the Executive Directors of the Association and the International Bank for Reconstruction and Development (the IBRD), respectively, (collectively, the World Bank)(the Trust Fund Grant Agreement).

WHEREAS (A) the Board of Governors of the IBRD has approved, on October 13, 2004, *inter alia*, the transfer from IBRD surplus, by way of a grant, of the amount of twenty-five million Dollars (\$25,000,000), to be used for financing emergency projects in Liberia in accordance with the Country Reengagement Note discussed by the World Bank's Executive Directors on March 9, 2004;

(B) the National Transitional Government for Liberia, has on behalf of the Recipient, requested the Association to allocate six million Dollars (\$6,000,000) (the Grant) of the said twenty-five million Dollars (\$25,000,000) to assist in financing the Project described in Schedule 2 to this Agreement (the Project); and

(C) the Project will be carried out by the Liberia Agency for Community Empowerment (or LACE, as hereinafter defined) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to LACE the proceeds of the Grant provided for in this Agreement as provided in the Subsidiary Grant Agreement (as hereinafter defined);

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;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions” set forth in Schedule 7 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Beneficiary" means a Community-based Organization which has met the eligibility criteria set out in Part D of Schedule 4 to this Agreement and in the Operation Manual and to which a Sub-grant is made or proposed to be made;

(b) “CBO” or “Community-based Organization” means an organization, duly established by a Community under the relevant laws of the Recipient to address the common needs of its members;

(c) “Community” means a local or village level institution, or inhabitants in the poorest sections or areas of Liberia, as defined in Section 50B.3. of Title 12 of the Liberian Code of Laws of July 22, 2004;

(d) “ESMF” means the Environmental and Social Management Framework to be prepared by the Recipient and approved by the Association, setting forth an environmental and social screening process that will enable Sub-project implementers to identify and assess potential adverse environmental and social impacts, and offset and reduce them to acceptable levels, or enhance positive impacts, and in accordance with which environmental management plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association;

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

(f) “FY” or “Fiscal Year” means the Recipient’s and LACE’s fiscal year which runs from January 1 through December 31 each year;

(g) "LACE" means the Liberia Agency for Community Empowerment, a socio-economic development fund established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, to engender national initiatives geared towards alleviating poverty and attaining the Millennium Development Goals;

(h) "LACE Board" or "the Board" means the Liberia Agency for Community Empowerment's Board of Directors established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, to provide oversight and policy guidance to the LACE MU;

(i) "LACE MU" or "the MU" means the Liberia Agency for Community Empowerment's Management Unit, comprising, *inter alia*, the Executive Director, the Deputy Executive Director for Administration and the Finance Director, responsible for the day-to-day running of LACE;

(j) "MAAFP" means the Manual of Administrative, Accounting and Financial Procedures, in form and substance satisfactory to the Association, to be approved by the LACE Board as referred to in Schedule 4.A(3)(b) of this Agreement, describing the organization and functioning of LACE, including procedures relating to personnel management, preparation of work plans, disbursement of funds, monitoring and evaluation, procurement for LACE's own use, accounting and audit, as the same may be updated from time to time with the prior agreement of the Association;

(k) "MDG" or "Millennium Development Goals" means the eight (8) development goals agreed upon during the fifty-fifth session of the United Nations General Assembly which opened on September 5, 2000, as follows: (i) eradication of extreme poverty and hunger; (ii) achievement of universal primary education; (iii) promotion of gender equality and empowerment of women; (iv) reduction of child mortality; (v) improvement of maternal health; (vi) combating HIV/AIDS, malaria and other diseases; (vii) environmental sustainability; and (viii) development of a global partnership for development;

(l) "NGO" means a non-governmental organization duly authorized to operate in the Recipient's territory in accordance with the relevant laws of the Recipient;

(m) "Operation Manual" or "OM" means the manual, in form and substance satisfactory to the Association, adopted by LACE, outlining the eligibility, appraisal and implementation modalities for Sub-projects, financial management, accounting and

procurement arrangements for PMCs of CBOs, monitoring and evaluation, and other implementation arrangements, as the same may be amended from time to time with the concurrence of the Association, and such term includes any annexes to the Operation Manual;

(n) "PMC" means a Project Management Committee established by a CBO to assist with the identification, preparation, appraisal and implementation of a Sub-project as further specified in the Operation Manual, and comprising an equal number of men and women, including, *inter alia*, a chairperson, a vice chairperson, a treasurer, an assistant treasurer, a secretary, an assistant secretary, and four ordinary members, all duly elected by members of the CBO;

(o) "Procurement Plan" means the procurement plan, in form and substance satisfactory to the Association, adopted by LACE as of January 20, 2005, covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 (b) to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(p) "RPF" or "Resettlement Policy Framework" means the governing framework to be prepared by the Recipient and approved by the Association for land acquisition, resettlement and compensation under the Project, and in accordance with which resettlement action plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association;

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

(r) "Sub-grant" means a grant made or proposed to be made by LACE to a Beneficiary for the purpose of implementing a Sub-project, pursuant to the terms and conditions set forth in a Sub-grant Agreement;

(s) "Sub-project" means a specific development activity financed or to be financed through a Sub-grant extended under Part A.2 of the Project;

(t) "Sub-grant Agreement" means an agreement to be entered into between LACE and a Beneficiary, setting forth the terms and conditions upon which proceeds of a Sub-grant shall be made available for the purpose of financing a Sub-project, as referred to in Schedule 4.D(3) and further specified in the Operation Manual; and

(u) "Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and LACE pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Grant 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, the Grant in the amount of six million Dollars (\$6,000,000).

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: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project described in Schedule 2 to this Agreement (other than Part A.2 of the Project) and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or, if the Association shall so agree, to be paid) under Part A.2 of the Project to meet the reasonable cost of goods, works or services required for a Sub-project and in respect of which a withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial 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. The Closing Date shall be August 24, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date. Withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date if the corresponding withdrawal application is received by the Association within four months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

Section 2.04. The Executive Director of LACE and any person whom he or she shall designate in writing, is designated as the representative of the Recipient for the

purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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 LACE with due diligence and efficiency and in conformity with appropriate financial, administrative, technical, environmental and social practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall make the proceeds of the Grant available to LACE under a Subsidiary Grant Agreement to be entered into between the Recipient and LACE, under terms and conditions which shall have been approved by the Association which shall include the provisions set forth in Part C of Schedule 4 to this Agreement.

(c) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

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

(b) The Recipient shall cause LACE to update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association no later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association no later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01.(a) The Recipient shall:

- (i) establish and maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project; and
 - (ii) cause LACE to establish and 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 its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.
- (b) The Recipient shall, and shall cause LACE to:
- (i) have the respective 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, such independent auditors to be appointed by LACE by September 30, 2005;

- (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 respective financial statements referred to in paragraph (a) of this Section for such year (or such 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, 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 cause LACE to:

- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in any audit that the Association may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Schedule 4.E(2) and 4.E(3), the Recipient shall cause LACE to prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds

provided under the Grant, and explains variances between the actual and planned uses of such funds;

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

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

ARTICLE V

Remedies of the Association

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

(a) As a result of events which have occurred after the date of the Trust Fund Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that LACE will be able to perform its obligations referred to, or arising from, this Agreement.

(b) Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of LACE to perform any of its obligations referred to, or arising from, this Agreement.

(c) The Recipient shall have failed to prepare and disclose, or cause to be prepared and disclosed, the ESMF and RPF in a manner that is satisfactory to the Association, within one year of the Effective Date.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of this Agreement within the meaning of Section 11.01 (b) of the General Conditions:

- (a) the Subsidiary Grant Agreement has been executed on behalf of the Recipient and LACE; and
- (b) LACE has appointed its Executive Director, Deputy Executive Director for Administration and Finance Director, with qualifications, experience and terms of reference satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 11.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and LACE and is legally binding upon the Recipient and LACE in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 11.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. Except as provided for under Section 2.04 of this Agreement, the Minister of Planning and Economic Affairs of the Recipient is designated as representative of the Recipient for the purposes of Section 10.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Recipient:

Ministry of Planning and Economic Affairs
P.O. Box 10-9016
1000 Monrovia 10
Liberia

Facsimile:
(231) 22-60-75

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 Monrovia, Republic of Liberia, as of the day and year first above written.

THE REPUBLIC OF LIBERIA

By

/s/ Christian G. Herbert

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(As Administrator of the Trust Fund for Liberia)

By

/s/ Luigi Giovine
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 US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	100,000	100%
(2) Sub-grants for Sub-projects	4,500,000	100%
(3) Consultants' services, including audits, and training	600,000	100%
(4) Incremental Operating Costs	600,000	100%
(5) Unallocated	200,000	
TOTAL	<u>6,000,000</u>	

2. For the purposes of this Schedule, the term "Incremental Operating Costs" means the incremental expenses incurred by LACE on account of Project implementation, management and monitoring, including office space rental, utilities and supplies, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Recipient's civil service.

3. 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.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$50,000 equivalent per contract; (b) services of individual consultants costing less than \$10,000 equivalent per contract; (c) services of consulting firms costing less than \$50,000 equivalent per contract; (d) training; and (e) Incremental Operating Costs, all 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 objectives of the Project are to assist poor and war-affected communities in the Recipient's territory to restore infrastructure and services and to build their capacity for collective action.

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: Building Social Capital Through a Community Driven Program

1. Carrying out workshops to build social networks and increase cohesiveness within Communities.
2. Providing Sub-grants to Beneficiaries for the financing of Sub-projects, including but not limited to Sub-projects aimed at:
 - (a) reconstructing and rehabilitating infrastructure in the health, education, rural transport, water and sanitation sectors; and
 - (b) improving the delivery of, and access to, social and economic services, including: (i) providing emergency health and education supplies such as vaccines, life-saving drugs, furniture, textbooks and learning materials; and (ii) training and capacity building for key staff in the education and health sectors.

Part B: Capacity Building at the Community Level

Providing training, technical advisory services and equipment to enhance the technical and managerial capacity of community members and other Sub-project stakeholders in participatory planning and development.

Part C: Project Management

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

* * *

The Project is expected to be completed by February 24, 2007.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA 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. Goods estimated to cost more than \$20,000 but less than \$250,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding (NCB), provided that the Recipient's NCB procedures include the following provisions: (a) an explicit statement to bidders of the evaluation and award criteria; (b) national advertising and public bid

opening; (c) award to the lowest evaluated responsive and qualified bidder; and (d) foreign bidders are not precluded from participation in the NCB.

2. Shopping. Goods estimated to cost less than \$20,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Procurement from UN Agencies. Goods estimated to cost less than \$100,000 equivalent per contract may be procured directly from the Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

4. Community Participation. Goods, works and services required by Beneficiaries for Part A.2 of the Project may be procured on the basis of community participation in accordance with procedures acceptable to the Association, as set forth in the Operation Manual.

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 \$10,000 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. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source

Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. 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 the prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services (other than consultants' services) estimated to cost the equivalent of \$50,000 or more; and (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

A. Project Oversight and Implementation Arrangements

1. (a) The Recipient shall cause LACE to: (i) maintain the MU, responsible for the implementation of the Project, in a form and substance, and with resources, satisfactory to the Association; and (ii) at all times maintain staff, with qualifications, experience and terms of reference acceptable to the Association. Without limitation to the generality of the foregoing, the Recipient shall cause LACE to appoint, no later than June 30, 2005, key staff, including, *inter alia*, a program manager, a procurement specialist, a finance officer, an internal auditor and a monitoring and evaluation specialist, with qualifications, experience and terms of reference satisfactory to the Association.

(b) The MU shall be responsible for *inter alia*: (i) facilitation, monitoring and evaluation of Project implementation, including preparation of reports such as that to be prepared for the annual reviews and the Midterm Review in accordance with Part E of this Schedule; (ii) preparation of annual work plans for approval by the Board; and (iii) financial management and procurement, including record-keeping and reporting under the Project.

2. (a) The Recipient shall maintain the LACE Board established pursuant to Chapter 50B of Title 12 of the Liberian Code of Laws of the Recipient as of July 22, 2004, throughout Project implementation, in a form and substance, and with resources satisfactory to the Association.

(b) Unless the Association shall otherwise agree, the LACE Board shall consist of nine persons and be: (i) headed by a Chairman, who shall be a private person; (ii) co-chaired by a representative of the Ministry of Planning and Economic Affairs; and (iii) comprise the following members: one representative each of the Ministry for Gender, the Ministry for Internal Affairs, and a civil society organization; and two representatives each of non-governmental organizations (one of which shall be a women's non-governmental organization), and development partners.

(c) The LACE Board shall be responsible for *inter alia*: (i) providing overall guidance on the management and implementation of the Project; (ii) oversight of the work of LACE; (iii) giving the MU directives and guidance on the interpretation of the Recipient's policies pertaining to those sectors affected by the Project; and (iv) reviewing

and approving the MU's annual work plan, and key Project reports such as those to be prepared in accordance with Part E of this Schedule.

3. The Recipient shall cause LACE to:

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

(b) prepare and adopt, no later than June 30, 2005, the MFAAP, in form and substance satisfactory to the Association.

4. The Recipient shall ensure that its concerned ministries, departments and agencies collaborate with LACE, *inter alia*, for purposes of the implementation of Sub-projects that fall within their respective sectors.

B. Environmental and Social Measures

(a) The Recipient shall cause LACE to no later than one (1) year after the Effective Date, prepare the ESMF and RPF, in form and substance satisfactory to the Association;

(b) The Recipient shall cause LACE to ensure that an environmental and social impact assessment or other environmental analysis is carried out in a form that is satisfactory to the Association prior to the implementation of the Sub-projects financed under the Project, based on the results of the environmental and social screening process set forth in the ESMF;

(c) In the event that the screening process in the ESMF, or the environmental and social impact assessment or other environmental analysis carried out under sub-paragraph (b) above determines that a proposed Sub-project would have a potential negative environmental or social impact, the Recipient shall ensure that a management plan that is satisfactory to the Association is prepared and implemented to mitigate against such negative impacts in accordance with the guidelines in the ESMF; and

(d) Without limitation to the generality of sub-paragraph (c) above, if it is determined that a Sub-project would involve involuntary resettlement of persons and/or loss of means of livelihood of the affected persons as a result of the involuntary acquisition of land, the Recipient shall ensure that resettlement action plans satisfactory to the Association are prepared in accordance with the principles and procedures specified in the RPF and implemented for the benefit of the affected persons.

C. Subsidiary Grant Agreement

(1) The Subsidiary Grant Agreement shall include, without being limited to, provisions to the following effect:

(a) The Recipient shall provide the proceeds of the Grant to LACE on terms and conditions satisfactory to the Association.

(b) LACE shall carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the Operation Manual and the MAAFP.

(c) Procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan and Operation Manual.

(d) LACE shall ensure that the Project is implemented in accordance with the provisions of the ESMF and RPF, and, except as the Association shall otherwise agree, LACE shall not amend or waive, or permit to be amended or waived, any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation.

(e) LACE shall carry out the obligations set forth in Sections 8.03, 8.04, 8.05, 8.06, 8.07 and 8.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project.

(f) LACE shall establish and 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 its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

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

(h) Except as the Association shall otherwise agree, LACE shall neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement.

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

D. Sub-projects

1. General

Without limitation upon the provisions of Part A of this Schedule, the Recipient shall cause LACE to appraise, approve and monitor the implementation of Sub-projects under Part A.2 of the Project in accordance with the provisions of this Part D and the Operation Manual.

2. Eligibility Criteria for Subprojects

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

(a) the Sub-project shall, as set forth in Part A.2 of Schedule 2 to this Agreement, be for social and economic infrastructure and services, including primary health, basic education, rural water supply and sanitation, feeder roads, and the construction of markets and granaries;

(b) the Sub-project shall be initiated by a Beneficiary which shall have formed a Project Management Committee to act on its behalf;

(c) the Sub-project Beneficiary must have legal status, so that it may enter into a Sub-grant Agreement with LACE, open and manage a bank account and enter into contracts with private sector operators, as required;

(d) the Sub-project shall be economically, financially and technically viable in accordance with the standards specified in the Operation Manual;

(e) the Sub-projects will be financed on a grant basis, not exceeding the equivalent of \$75,000 per Beneficiary over a three-year period, except as otherwise agreed by the Association;

(f) Sub-project Beneficiaries shall contribute not less than ten (10) percent of the amount of the Sub-grant in the form of cash, materials or labor; and

(g) the Sub-project shall be in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental protection.

3. Terms and Conditions of Sub-grant Agreements

(i) A Sub-project shall be carried out pursuant to a Sub-grant Agreement, to be concluded between LACE and a Beneficiary, under terms and conditions satisfactory to the Association, and described in further detail in the Operation Manual which, *inter alia*, shall include the following:

(a) the Sub-grant shall be provided on a non-reimbursable grant basis;

(b) the Beneficiary shall contribute not less than ten (10) percent of the amount of the Sub-grant in the form of cash, materials or labor;

(c) the obligation to carry out the Sub-project in accordance with the Operation Manual, with due diligence and efficiency and in accordance with sound technical, financial, social, environmental and managerial standards;

(d) the obligation to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Sub-project;

(e) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Sub-grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement and as further specified in the Operation Manual, and (ii) such goods, works and services shall be used exclusively in the carrying out of the Sub-project;

(f) the requirement that the PMC shall be maintained throughout Sub-project implementation;

(g) the requirement that the Beneficiary open a bank account for the deposit of Sub-project funds in a commercial bank of its choice, and provide the account details to LACE;

(h) the right of LACE to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Sub-project, the operations thereof, and any relevant records and documents;

(i) the right of LACE to obtain all information as LACE or the Association shall reasonably request regarding the administration, operation and financial conditions of the Sub-project; and

(j) the right of LACE to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant for the Sub-project upon the failure by the Beneficiary to perform any of its obligations under the Sub-grant Agreement.

(ii) LACE shall exercise its rights under the Sub-grant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project objectives, and, except as the Association shall otherwise agree, LACE shall not assign, amend, abrogate or waive the Sub-grant Agreement or any substantive provision thereof.

E. Project Monitoring and Evaluation

Annual Work Plans

1. The Recipient shall cause LACE to furnish to the Association for its approval as soon as available, but in any case not later than November 30 of each year, the annual work plan for each subsequent Fiscal Year following FY 2005, of such scope and in such detail as the Association shall have reasonably requested. The Association shall subsequently carry out a prompt review of each annual work plan, including the potential environmental and social impacts of proposed Sub-projects.

Annual Reviews

2. The Recipient shall cause LACE to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 30 of each year of Project implementation, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report (including the progress in the implementation of the environmental and social measures set forth in the ESMF and RPF) 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, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Midterm Review

3. The Recipient shall cause LACE to:

(a) carry out jointly with the Association, on or about the date eighteen (18) months after the Effective Date, a comprehensive review (the Midterm Review) to assess the status of Project implementation. Such review shall be aimed at: (i) documenting progress towards the Project objectives; (ii) monitoring the implementation of the environmental and social measures set forth in the ESMF and RPF; (iii) identifying and resolving obstacles to Project implementation; and (iv) adjusting, in agreement with the Association, targets and corresponding activities to reflect progress achieved in Project implementation as of the date of review;

(b) take all actions it considers necessary to ensure the participation of representatives of Beneficiaries in such Midterm Review;

(c) not later than one (1) month before such review, prepare and furnish to the Association a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review, jointly with the Association, the report referred to in paragraph (c) of this Section and promptly thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “Eligible Categories” means Categories (1) – (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, services and Sub-projects 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 seven hundred thousand Dollars (\$700,000) 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 three hundred and fifty thousand Dollars (\$350,000) 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 one million five hundred thousand Dollars (\$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 any 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

Performance Indicators

- (a) at least one hundred (100) Sub-projects have been implemented;
- (b) all supported Communities have benefited from the social mobilization and facilitation process using highly participatory methodologies;
- (c) CBOs are inclusive and well-representative;
- (d) at least 90% of the Sub-projects are assessed as successful by Communities;
- (e) at least three (3) successful capacity building events are carried out by Beneficiaries per year; and
- (f) Project management expenses are 10% or less of the total budgeted annual expenditures.

SCHEDULE 7

General Conditions

ARTICLE I

Application to Trust Fund Grant Agreements

Section 1.01. Application of General Conditions

These General Conditions set forth certain terms and conditions generally applicable to this Trust Fund Grant Agreement.

Section 1.02. Inconsistency with Trust Fund Grant Agreement

If any provision of this Trust Fund Grant Agreement is inconsistent with a provision of these General Conditions, the provision of this Trust Fund Grant Agreement shall govern.

ARTICLE II

Definitions; Headings

Section 2.01. Definitions

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

1. "Association" means the International Development Association, in its capacity as administrator of the Trust Fund for Liberia.
2. "Bank" means the International Bank for Reconstruction and Development.

3. “Recipient” means the National Transitional Government for Liberia (the NTGL).
4. “Grant” means the trust fund grant provided for in the Trust Fund Grant Agreement.
5. “Grant Account” means the account opened by the Association on its books in the name of the Recipient to which the amount of the Grant is credited.
6. “Closing Date” means the date specified in the Trust Fund Grant Agreement after which the Association may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.
7. “Trust Fund Grant Agreement” means the particular trust fund grant agreement to which these General Conditions apply, as such agreement may be amended from time to time. Trust Fund Grant Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Trust Fund Grant Agreement.
8. “Dollars” and the sign “\$” mean dollars in the currency of the United States of America.
9. “Effective Date” means the date on which the Trust Fund Grant Agreement shall enter into effect as provided in Section 11.03 of these General Conditions.
10. “Project” means the project or program for which the Grant is granted, as described in the Trust Fund Grant Agreement, and as the description thereof may be amended from time to time by agreement between the Recipient and the Association.
11. “Taxes” includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Trust Fund Grant Agreement or thereafter imposed.

Section 2.02. *References*

References in these General Conditions to Articles or Sections are to Articles or Sections of these General Conditions.

Section 2.03. *Headings*

The headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these General Conditions.

ARTICLE III

Grant Account

Section 3.01. 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 the Trust Fund Grant Agreement and in these General Conditions.

ARTICLE IV

Currency Provisions

Section 4.01. Currencies in which Withdrawals are to be Made

Except as the Recipient and the Association 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 4.02. Valuation of Currencies

Whenever it shall be necessary for the purposes of the Trust Fund Grant Agreement, or any other agreement to which these General Conditions apply, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

ARTICLE V

Withdrawal of Proceeds of Grant

Section 5.01. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from the Grant Account amounts expended or, if the Association shall so agree, amounts to be expended for the Project in accordance with the provisions of the Trust Fund Grant Agreement and of these General Conditions. Except as the Association 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 Bank 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 Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Section 5.02. Special Commitment by the Association

Upon the Recipient's request and upon such terms and conditions as shall be agreed upon between the Recipient and the Association, the Association 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 Association or the Recipient.

Section 5.03. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Association to enter into a special commitment pursuant to Section 5.02 of these General Conditions, the Recipient shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association shall reasonably request. Applications for withdrawal, including the documentation required pursuant to this Article, shall be made promptly in relation to expenditures for the Project.

Section 5.04. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in the Trust Fund Grant Agreement, if the Association has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in the Trust Fund Grant Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Association 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 Association, 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 5.05. Evidence of Authority to Sign Applications for Withdrawal

The Recipient shall furnish to the Association 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 5.06. Supporting Evidence

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

Section 5.07. Sufficiency of Applications and Documents

Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association 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 the Trust Fund Grant Agreement.

Section 5.08. Treatment of Taxes

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

Section 5.09. Payment by the Association

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

ARTICLE VI

Cancellation and Suspension

Section 6.01. Cancellation by the Recipient

The Recipient may, by notice to the Association, cancel any amount of the Grant which the Recipient shall not have withdrawn, except that the Recipient may not so cancel any amount of the Grant in respect of which the Association shall have entered into a special commitment pursuant to Section 5.02.

Section 6.02. Suspension by the Association

If any of the following events shall have occurred and be continuing, the Association 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 make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the Bank: (i) under any trust fund credit agreement between the Recipient, or any agency thereof, and the

Association; or (ii) under any loan or guarantee agreement between the Recipient, or any agency thereof, and the Bank; or (iii) in consequence of any guarantee or other financial obligation of any kind extended by the Bank to any third party with the agreement of the Recipient.

(b) The Recipient shall have failed to perform any other obligation under the Trust Fund Grant Agreement.

(c) (i) The Association or the Bank shall have suspended in whole or in part the right of the Recipient or any agency thereof to make withdrawals under any trust fund credit agreement with the Association or any loan agreement with the Bank because of a failure by the Recipient or any other agency thereof, as the case may be, to perform any of its obligations under such agreement; or (ii) the Bank shall have suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by the Recipient because of a failure by such borrower to perform any of its obligations under such agreement.

(d) As a result of events which have occurred after the date of the Trust Fund Grant 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 the Trust Fund Grant Agreement.

(e) After the date of the Trust Fund Grant Agreement and prior to the Effective Date, any event shall have occurred which would have entitled the Association to suspend the Recipient's right to make withdrawals from the Grant Account if the Trust Fund Grant Agreement had been effective on the date such event occurred.

(f) A representation made by the Recipient, in or pursuant to the Trust Fund Grant Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Association in making the Grant, shall have been incorrect in any material respect.

(g) The Recipient or any Project implementation entity shall, without the consent of the Association, have (i) assigned or transferred, in whole or in part, any of its obligations arising under the Trust Fund Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant, except with respect to transactions in the ordinary course of business which, in the opinion of the Association, (A) do not materially and adversely affect the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project, or the ability of

the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Project implementation entity.

(h) Any Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of the Trust Fund Grant Agreement.

(i) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of any Project implementation entity.

(j) In the opinion of the Association, the legal character, ownership or control of any Project implementation entity shall have changed from that prevailing as of the date of the Trust Fund Grant Agreement so as to materially and adversely affect (i) the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project; or (ii) the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project.

(k) Any other event specified in the Trust Fund Grant 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 Association 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 6.03. *Cancellation by the Association*

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 Association 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 Association 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 Association 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 Association determines that the procurement of any contract to be financed out of the proceeds of the Grant is inconsistent with the procedures set forth or referred to in the Trust Fund Grant Agreement 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 (e) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account, the Association 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 6.04. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association

No cancellation or suspension by the Association shall apply to amounts subject to any special commitment entered into by the Association pursuant to Section 5.02 of these General Conditions except as expressly provided in such commitment.

Section 6.05. Effectiveness of Provisions after Suspension or Cancellation

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

ARTICLE VII

Taxes

Section 7.01. Taxes

(a) All amounts required to be paid by the Recipient under the Trust Fund Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.

(b) The Trust Fund Grant Agreement, and any other agreement to which these General Conditions apply, shall be free from any taxes levied by, or in the territory of, the Recipient on or in connection with the execution, delivery or registration thereof.

ARTICLE VIII

Cooperation and Information; Financial and

Economic Data; Project Implementation

Section 8.01. Cooperation and Information

(a) The Recipient and the Association shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Association 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 the Trust Fund Grant 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.

(b) The Recipient shall afford all reasonable opportunity for representatives of the Association to visit any site for purposes related to the Grant.

Section 8.02. Financial and Economic Data

The Recipient shall furnish to the Association all such information as the Association shall reasonably request with respect to the financial and economic

conditions of the NTGL including its balance of payments and its external debt as well as that of its political or administrative subdivisions and any entity owned or controlled by, or operating for the account or benefit of the Recipient, or any such subdivision, and any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, in the Republic of Liberia.

Section 8.03. *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 8.04. *Use of Goods and Services*

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

Section 8.05. *Plans and Schedules*

The Recipient shall furnish, or cause to be furnished, to the Association, 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 Association shall reasonably request.

Section 8.06. *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 and services financed out of the proceeds of the Grant, and to disclose their use in the Project; (ii) enable the Association'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 the Trust Fund Grant Agreement; and (iii) furnish to the Association at regular intervals all such information as the Association 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 and services financed out of such proceeds.

(b) Upon the award of any contract for goods or services to be financed out of the proceeds of the Grant, the Association 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 Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association 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 Association of their respective obligations under the Trust Fund Grant Agreement and the accomplishment of the purposes of the Grant.

Section 8.07. *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 8.08. *Land Acquisition*

The Recipient shall take, or 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 Association, promptly upon its request, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

ARTICLE IX

Enforceability of Trust Fund Grant Agreement;

Failure to Exercise Rights; Arbitration

Section 9.01. Enforceability

The rights and obligations of the Recipient and the Association under the Trust Fund Grant Agreement shall be valid and enforceable in accordance with their terms.

Section 9.02. Failure to Exercise Rights

No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Trust Fund Grant Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 9.03. Arbitration

(a) Any controversy between the parties to the Trust Fund Grant Agreement and any claim by either such party against the other arising under the Trust Fund Grant Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Association and the Recipient.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Association; a second arbitrator shall be appointed by the Recipient; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Trust Fund Grant Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Trust

Fund Grant Agreement or of any claims by either party against the other party arising thereunder.

(k) The Association shall not be entitled to enter judgment against the Recipient upon the award, to enforce the award against the Recipient by execution or to pursue any other remedy against the Recipient for the enforcement of the award, except as such procedure may be available against the Recipient otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Association, the Recipient may take any such action for the enforcement of the award against the Association.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 10.01 of these General Conditions. The parties to the Trust Fund Grant Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE X

Miscellaneous Provisions

Section 10.01. Notices and Requests

Any notice or request required or permitted to be given or made under the Trust Fund Grant Agreement and any other agreement between the parties contemplated by the Trust Fund Grant Agreement shall be in writing. Except as otherwise provided in Section 11.03 of these General Conditions, 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 the Trust Fund Grant Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail.

Section 10.02. Evidence of Authority

The Recipient shall furnish to the Association 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 the

Trust Fund Grant Agreement, and the authenticated specimen signature of each such person.

Section 10.03. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Trust Fund Grant Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in the Trust Fund Grant 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 the Trust Fund Grant 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 the Trust Fund Grant Agreement. The Association 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 the Trust Fund Grant Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 10.04. Execution in Counterparts

The Trust Fund Grant Agreement may be executed in several counterparts, each of which shall be an original.

ARTICLE XI

Effective Date; Termination

Section 11.01. Conditions Precedent to Effectiveness of Trust Fund Grant Agreement

The Trust Fund Grant Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

(a) the execution and delivery of the Trust Fund Grant Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and

(b) all other events specified in the Trust Fund Grant Agreement as conditions to its effectiveness have occurred.

Section 11.02. Legal Opinions or Certificates

As part of the evidence to be furnished pursuant to Section 11.01 of these General Conditions, the Recipient shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Recipient, showing:

(a) that the Trust Fund Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms; and

(b) such other matters as shall be specified in the Trust Fund Grant Agreement or as shall be reasonably requested by the Association in connection therewith.

Section 11.03. Effective Date

(a) Except as the Recipient and the Association shall otherwise agree, the Trust Fund Grant Agreement shall enter into effect on the date on which the Association dispatches to the Recipient notice of its acceptance of the evidence required by Section 11.01 of these General Conditions.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Association to suspend the right of the Recipient to make withdrawals from the Grant Account if the Trust Fund Grant Agreement had been effective, the Association may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event or events shall have ceased to exist.

Section 11.04. Termination of Trust Fund Grant Agreement for Failure to Become Effective

If the Trust Fund Grant Agreement shall not have entered into effect by the date specified therein for the purposes of this Section, the Trust Fund Grant Agreement and all obligations of the parties thereunder shall terminate, unless the Association, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Association shall promptly notify the Recipient of such later date.