

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS**CONFORMED COPY**

May 4, 2011

H.E. Augustine Kpehe Ngafuan
Minister of Finance
Ministry of Finance
P.O. Box 10-9013 Broad Street
Monrovia
Republic of Liberia

**Re: LIBERIA: CHYAO Africa - Support to Development of Small Forest
Enterprises – Income Generation for Youth in Liberia.
Grant No. TF099452**

Excellency:

In response to the request for financial assistance made on behalf of Republic of Liberia (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by Italy (“Donor”) under the Trust Fund for Children and Youth In Africa (CHYAO Africa), proposes to extend to the Recipient a grant in an amount not to exceed three hundred eighty thousand United States Dollars (US\$380,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement

H.E. Augustine Kpehe Ngafuan

shall become effective as of the date specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement (“Effective Date”).

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ohene Owusu Nyanin
Country Manager

AGREED:
REPUBLIC OF LIBERIA

By /s/ Augustine Kpehe Ngafuan
Authorized Representative

Name _____

Title Minister

Date: May 11, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated May 4, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms have the following meanings:

(a) “Beneficiary” means selected forest-dependent community members to which LACE proposes to make, or has made, a Small-grant for a Sub-project.

(b) “Forestry Development Authority” or “FDA” means the authority established pursuant to the Public Authorities Law of the Recipient and charged with responsibility for, *inter alia*, the development of resources of the public forests in the territory of the Recipient and management of commercial activities undertaken by forest-dependent communities in connection therewith.

(c) “LACE” means Liberia Agency for Community Empowerment, established and operating pursuant to an Act of the Legislature of the Recipient dated July 22, 2004, or any successor thereto.

(d) “MOU” means the Memorandum of Understanding entered into between the LACE and FDA setting out the respective obligations of the parties with respect to their respective obligations under the Project.

(e) “NGO Partners” means non-governmental organizations, duly authorized to operate in the Recipient’s territory in accordance with the relevant laws of the Recipient, selected to work in partnership with LACE for the purpose of implementation of Part d (iii) of the Project.

(f) “Operational Manual” or “OM” means a manual adopted by the Recipient and LACE in form and substance satisfactory to the World Bank, outlining the eligibility, appraisal and implementation modalities for Sub-projects, monitoring and evaluation, and other implementation arrangements for parts of the Project to be implemented or administered by LACE, as the same such Operational Manual may be amended from time to time with the concurrence of the World Bank, and such term includes any annexes to the Operational Manual.

(g) “Project Financial Management Unit” or “PFMU” means the Project Financial Management Unit established within MOF for purposes of financial management of World Bank financed Projects under implementation in the Recipient’s territory.

(h) “Small-grant” means a grant made or proposed to be made out of the proceeds of the Grant to finance a Sub-project.

(i) “Small-grant Agreement” means the agreement between the LACE and a Beneficiary, setting forth the terms and conditions under which proceeds of a Small-grant are to be made available to the Beneficiary for the purpose of financing a Sub-project.

(j) “Sub-project” means a small scale business development project to be carried out by a Beneficiary under Part d (iii) of the Project.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to assist young people in developing income-generating enterprises while sustainably managing the forest resources which they utilize. The Project consists of the following parts:

(a) Building an effective implementation partnership for market analysis and development of forest resources in the Recipient’s territory by: (i) ensuring that implementing partners understand the market analysis and development methodology; (ii) selecting and training project coordinators and field facilitators (FFs) from the implementing NGO Partners in market analysis and development methodology; (iii) tailoring best practice to Liberia conditions; and (iv) preparing field training materials.

(b) Building community partnerships by: (i) identifying and engaging Beneficiaries; and (ii) training of FFs to enable them to lead the interested communities through the concept of market analysis and development, to create additional incentives for sustainable natural resource management, and to empower communities to undertake further development through income generation measures.

(c) Developing market awareness and opportunities by: (i) organizing field training in market development for FFs and project coordinators; (ii) undertaking market studies; (iii) carrying out participatory selection and characterization of productive activities, target markets and resource supply areas; and (iv) undertaking participatory mid-term review.

(d) Building productive community enterprise by: (i) building capacity to create productive enterprises; (ii) providing training in product development to product-based interest group members; and (iii) providing small-grants for enterprise development Sub-projects.

(e) Project management: (i) field implementation and management of Small Grants; (ii) production of biannual reports and one mid-term evaluation; and (iii) Project audit.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through LACE, in cooperation with the FDA and the PFMU, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall make the proceeds of the Grant available to LACE under a subsidiary grant agreement, in form and substance satisfactory to the World Bank, to be entered into between the Recipient and LACE (“Subsidiary Grant Agreement”). The Subsidiary Grant Agreement shall describe the implementation arrangements as referred to in Section 2.04 below.

(b) The Recipient shall cause LACE, each year during the implementation of the Project, to: (i) not later than May 30, 2011 furnish to the World Bank, for its approval, an annual work plan (the Annual Work Plan), of such scope and detail as shall be satisfactory to the World Bank, including the Project activities to be carried out by LACE and contracted NGO Partners; and (ii) thereafter implement each said Annual Work Plan, approved by the World Bank, in accordance with its terms.

(c) The Recipient shall cause LACE to: (i) maintain the Operational Manual referred to in paragraph 5.01 (b) of this Annex, in form and substance satisfactory to the World Bank, 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 World Bank, such assignment, amendment, abrogation or waiver will materially affect the implementation of the Project.

(d) Without limitation upon the provision of paragraph 2.02, the Recipient shall designate a full time National Project Coordinator from the FDA to be responsible for the day-to-day implementation of the Grant. The National Project Coordinator will work in close collaboration with LACE, as well as with the different field partners, to ensure the implementation of the Project’s objectives.

(e) The Recipient, through the PMFU, shall: (i) maintain a separate financial management system for the implementation of the Project; (ii) prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, adequate to reflect its operations and financial condition; and (iii) register separately the operations, resources and expenditures related to the Project.

2.04 Subsidiary Grant Agreement. (a) The Recipient shall ensure that the Subsidiary Grant Agreement shall maintain, at all times during Project implementation, provisions to the following effect:

(i) the Recipient’s obligation to provide the proceeds of the Grant to LACE on terms and conditions satisfactory to the World Bank;

(ii) LACE’s obligation to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, 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 provisions of this Agreement and the Operation Manual;

(iii) LACE’s obligation to carry out the Project in accordance with the Anti-Corruption Guidelines;

(iv) LACE's obligation to enter into an MOU with the FDA by June 30, 2011 that specifies the financial arrangements and respective responsibilities for the Project;

(v) LACE's obligation to procure the goods and services required for the Project and to be financed out of the proceeds of the Grant, in accordance with the provisions of Section 2.09 of this Annex, as said provisions may be further elaborated in the and Operation Manual;

(vi) LACE's obligation to furnish all such information as the Recipient or the World Bank shall reasonably request;

(vii) LACE's obligation to promptly inform the Recipient and the World Bank 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; and

(viii) LACE's obligation to neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement.

(b) 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.

2.05 **Small-Grants.** (a) No Small-grant under Section 2.01 (d), Part (iii) of this Annex shall be eligible for financing out of the proceeds of the Grant unless said Small Grant satisfies eligibility criteria set forth or referred to in the Operational Manual satisfactory to the World Bank, which shall include, but not be limited to, the following:

(i) the proposed Sub-project will be for enterprise establishment and development;

(ii) the proposed Sub-project shall include women and youth groups, in all stages of the preparation and implementation of the Sub-project;

(iii) the proposed Sub-project shall be economically, financially and technically viable, and environmentally and socially sound;

(iv) the proposed 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; and

(v) the cost of the proposed Sub-project shall not exceed five thousand U.S. Dollars (US\$5,000) each.

(b) In financing Small-grants, LACE shall enter into a Small-grant Agreement with a Beneficiary under terms and conditions satisfactory to the World Bank, which shall require each Beneficiary to:

(i) procure the goods and services to be financed out of the proceeds of the Small-Grant in conformity with the provisions referred to in Section 2.09 of this Annex and

ensure that the goods and services shall be used exclusively in the carrying out of the Sub-project;

(ii) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;

(iii) carry-out the proposed Sub-project in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient;

(iv) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and

(v) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(c) The Recipient shall exercise its rights under each Small-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

2.06. **Donor Visibility.** The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

2.07. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.07 of this Agreement.

2.08. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial

Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.09. **Procurement**

(a) **General.** All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; (C) Procurement from United Nations Agencies; and (D) Community Participation procedures which have been found acceptable to the World Bank.

Exceptions to National Competitive Bidding Procedures. The following provisions shall apply to the procurement of goods and works under National Competitive Bidding procedures: (a) foreign bidders shall be allowed to participate in National Competitive Bidding procedures; (b) bidders shall be given at least one month to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later; (c) no domestic preference shall be given for domestic bidders and for domestically manufactured goods; and (d) in accordance with paragraph 1.14 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Credit shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the World Bank, at its request, to inspect their

accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the World Bank; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Least-cost Section; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection; (E) Selection of Individual Consultants; and (F) Single-source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance of Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Consultants' services, Training and Operating Costs under the Project except Part d (iii).	280,000	100%
(2) Small-grants under Part D(iii) of the Project	100,000	100% of amounts disbursed
TOTAL AMOUNT	380,000	

For purposes of this Section: (a) the term "Training" includes local travel and *per diem* for participants, accommodation and *per diem* for trainers and facilitators, printing of documents, communications, and various supplies needed for the local training; and (b) the term "Operating Costs" means the incremental operating expenses incurred by the FDA for management and coordination of the Project activities, including printing, communications, office supplies and utility expenses; but excluding salaries of the Recipient's civil servants.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) For payments made prior to the date of countersignature of this Agreement by the Recipient.

(b) For any Small-grants under Category (2) of the table in Section 3.01 until LACE shall have submitted to the World Bank for its review the proposed eligibility criteria for the selection of Beneficiaries, and processing guidelines for awarding of the Small-grants, and the Recipient has provided adequate assurances satisfactory to the World Bank that the selection and processing of Small-grants will be undertaken by LACE in accordance with such guidelines, taking into account the World Bank's comments thereon.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 29, 2012.

Article IV

Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

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 and/or the Subsidiary Grant Agreement.

Article V

Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The Subsidiary Agreement referred to in Section 2.03(a) of this Annex has been executed on behalf of the Recipient and LACE.

(b) The existing Operational Manual has been revised and modified, satisfactory to the World Bank, to take into account the activities under the Project which will be implemented and administered by LACE.

5.02 Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03 *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI Recipient's Representative; Addresses

6.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister responsible for finance.

6.02. *Recipient's Address.* The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Broad Street
Monrovia, Liberia

Facsimile: +231 6 578 921

6.03. *World Bank's Address.* The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391