

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF027833

Global Environment Facility
Trust Fund Grant Agreement

(Conservation and Sustainable Use of Medicinal Plants Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated April 16, 2001

GEF TRUST FUND GRANT NUMBER TF027833

GLOBAL ENVIRONMENT FACILITY
TRUST FUND GRANT AGREEMENT

AGREEMENT, dated April 16, 2001, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the said

request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution No. 94-2 and to be funded from the contributions to the GEF Trust Fund under Resolution No. 98-2, which may include fund carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project by an agreement of even date herewith between the Recipient and the Association, the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to two million Special Drawing Rights (SDR 2,000,000) (the Credit); and

WHEREAS the Bank has agreed on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund 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 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans of the Bank, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (6), (8), (9), (10), (15), (16), (17), (19) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
- (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;
- (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

- (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and
- (vii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."

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) "BIRR" means the currency of the Borrower;
- (b) "Collaborating Institution" means, in addition to IBCR (as hereinafter defined), any of the following: the Department of Drug Research within the Ethiopian Health and Nutrition Institute, School of Pharmacy, Faculty of Veterinary Medicine, National Herbarium and Department of Biology, Natural Products Chemistry and Faculty of Medicine of the Addis Ababa University, Institute of Development Research, Natural Products Chemistry, Oromiya Agriculture Bureau, Ethiopian Wildlife Conservation Organization, Essential Oils Research Center ESTC and THA;
- (c) "Development Credit Agreement" means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;
- (d) "EPA" means the Borrower's Environmental Protection Authority, established and operating pursuant to Proclamation No. 9/1995;
- (e) "ESTC" means the Ethiopian Science and Technology Commission, established and operating pursuant to Proclamation No. 91/1994;
- (f) "IBCR" means the Borrower's Institute of Biodiversity Conservation and Research established and operating pursuant to Proclamation No. 120/1998;
- (g) "PCMU" means the Project Coordinating and Monitoring Unit within IBCR referred to in paragraph 2 of Schedule 4 to this Agreement;
- (h) "PIC" means the Project Implementation Committee referred to in paragraph 3 of Schedule 4 to this Agreement;
- (i) "PIM" means the Project Implementation Manual adopted by the Borrower and containing, inter alia, guidelines and procedures to be used for the purpose of implementation of the Project, including financial, accounting, procurement and disbursement procedures, as may be amended from time to time in consultation with the Association, and such term includes any schedules to the PIM;
- (j) "PIP" means the Project Implementation Plan referred to in Paragraph 1 of Schedule 4 to this Agreement;
- (k) "Project Management Report" means each report prepared in accordance with Section 4.02 (a) of this Agreement;
- (l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (m) "THA" means the Traditional Healers Association within the Borrower's territory.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to one million four hundred thousand Special Drawing Rights (SDR 1,400,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of Part C of the Project, open and maintain in Dollars a special deposit account in the National Bank of Ethiopia on terms and conditions satisfactory to the Bank, 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 December 31, 2006 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, conservation and biodiversity practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until completion of the Project, an account (the Project Account) in the National Bank of Ethiopia and on terms and conditions acceptable to the Association;

(b) deposit into the Project Account an initial amount of \$30,000 equivalent, the Borrower's estimated share of counterpart funds for the implementation of Part C for the first quarter of Project implementation, as shall be agreed upon by the Borrower and the Association and thereafter, at quarterly intervals, deposit into the Project Account such amounts as estimated to be required for the ensuing quarter as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account, in accordance with paragraphs (a) and (b) of this Section, shall be used exclusively for expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank 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 Bank, a plan designed to ensure the sustainability and replicability of the Project; and

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

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

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

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Recipient, not later than 18 months after the Effective Date, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said

report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the GEF Trust Fund Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the GEF Trust Fund Grant, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following events are specified as conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Development Credit Agreement of even date herewith between the Recipient and the Association shall have been fulfilled, except the effectiveness of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representatives of the Recipient; Addresses

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

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

For the Recipient:

Minister of Finance
Ministry of Finance
P.O. Box 1905
Addis Ababa, Ethiopia

Cable address:	Telex:	Facsimile:
MINFIN	21147	(251-1) 551355

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

implementation, management, monitoring and auditing, including office supplies, vehicle and equipment operation, transportation, travel, per diem and supervision costs, 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 Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for goods, operating costs, training and consulting firms' services under contracts costing less than \$100,00 equivalent, or for individual consultants' contracts costing less than \$50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

SCHEDULE 2

Description of the Project

The objectives of the Project are to initiate support for the conservation, management and sustainable utilization of medicinal plants for human and livestock healthcare through: (i) strengthening of institutional capacity for the conservation, management and sustainable utilization of medicinal plants in the Borrower's territory; (ii) identification and documentation of selected commonly used/indigenous medicinal plants used for the treatment of major human diseases with emphasis on the following three: tapeworm infections, bronchopneumonia and hypertension, and livestock diseases with emphasis on the following three: tapeworm infections, mastitis and dermatophilosis; (iii) initiation of studies for the safe utilization of effective medicinal plant remedies and the compilation of a medicinal plant database; and (iv) promotion of in-situ management and sustainable utilization of medicinal plants in and around a site of global significance, the Bale Mountains National Park.

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

Part A: Institutional Strengthening, Human Resource Development and Project Monitoring and Evaluation

1. Strengthening the institutional capacity of IBCR through the provision of technical advisory services and training of staff.
2. Development of the human resource capacity of the Collaborating Institutions for implementing activities under the Project.
3. Establishment of a medicinal plant field gene bank with THA, development of an intellectual property rights policy and guidelines for sharing traditional knowledge of medicinal plants.
4. Establishment and operation of PCMU

Part B: Studies, Research and Database Development

1. Carrying out studies on methods to collect, analyze and interpret quantitative data on the socioeconomic benefits derived from medicinal plants used in human and livestock healthcare on a national level.
2. Carrying out ethnomedical surveys to explore utilization of medicinal plants and traditional healthcare practices for the prevention of HIV and mitigation of the adverse impact of AIDS.
3. Carrying out research on propagation and cultivation methods of selected indigenous medicinal plants for human and livestock diseases.
4. Carrying out formulation studies on extraction, standardization, safety and efficacy, and dosage testing and formulation of phytomedicines for three human and

three livestock diseases.

5. Identification, documentation and development of a national database of indigenous medicinal plants.

Part C: In-situ Conservation and Sustainable Use in Bale Mountains National Park

1. Carrying out: (a) a detailed socioeconomic survey to: (i) identify villages/users having the greatest impact on wild populations of medicinal plants through harvesting and other activities, and (ii) identify villages/farmers for on-farm pilot propagation and cultivation trials of medicinal plants to remove pressure on wild populations; (b) an in-depth biological survey and assessment of in-situ and ex-situ conservation; and (c) zoning of key areas within the Bale Mountain National Park and strengthening of its management.

2. Development and implementation of appropriate management options and guidelines for sustainable levels of harvesting of medicinal plants and/or their products, including the development of a comprehensive biodiversity monitoring and evaluation system through the provision of technical advisory services and training.

3. Carrying out a monitoring exercise to assess: (a) the impact of harvesting of medicinal plants in permit areas; (b) the impact of harvesting guidelines and management interventions in the Park; (c) Project interventions in protecting threatened/rare medicinal plant species; and (d) market and traditional health practitioner surveys to determine levels of use, locally and nationally, of plants harvested from the Bale Mountains National Park.

4. Carrying out pilot farmer-based cultivation trials for a selected number of threatened and indigenous species in home gardens and boundary and buffer zones of the Bale Mountains National Park to supply local needs and to provide alternative income generation.

5. Provision of training for: (a) park administrative and technical staff in the conservation, management and monitoring of medicinal plants within the park and adjacent forests; and (b) farmers for pilot propagation and cultivation trials.

6. Carrying out education and mass awareness campaigns on the relevance of conservation and management programs of medicinal plants and their importance to the Recipient's bio-diversity and long-term healthcare needs.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Good and Works

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods estimated to cost equal or more than \$100,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods or equipment estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts acceptable to the Association and awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, over the life of the Project may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods and equipment estimated to cost the equivalent of \$50,000 or less, the following procedures shall apply:

- (i) prior to the execution of any contract under National Shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received from at least three local suppliers;
- (ii) prior to the execution of any contract procured under National Shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II: Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services such as technical assistance, studies, support for local communities to promote biodiversity conservation, training of beneficiaries, public education and awareness activities and the preparation of

technical documents estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Services for audit and advisory services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for technical and logistical support to producers' groups for propagation and multiplication of cultivation trials of medicinal plants, bio-diversity conservation, feasibility studies, and extension, estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraph 5.1 through 5.3 of the Consultants Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. Except as the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the provisions of the PIM and PIP. Such PIM and PIP shall not be amended or waived, in whole or in part, in a manner which in the opinion of the Bank, would materially and adversely affect the execution of the Project or the achievement of its objectives.

2. The Recipient shall establish and maintain, until completion of the Project, a PCMU, which will be staffed with a full time Project Coordinator (PC) to coordinate

Project activities. The PC will be assisted by (i) an accounting and disbursement specialist, (ii) a monitoring and evaluation specialist, (iii) a procurement specialist, and (iv) adequate administrative staff, all with terms of reference and qualifications satisfactory to the Bank.

3. The Recipient shall maintain, until completion of the Project, the PIC to guide the PCMU in Project implementation. The PIC shall be chaired by the General Manager of IBCR, with the Heads of Departments of Collaborating Institutions and a representative from EPA as members.

4. The Recipient shall :

(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 Bank, and furnish to the Bank, on or about September 30 and March 31, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31 and April 30, or such later date as the Bank 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 Bank's views on the matter.

5. The Recipient shall:

(a) not later than December 31, 2002, carry out jointly with the Bank a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the Project; (ii) the results of the monitoring and evaluation activities; and (iii) the replicability of Project activities to other areas of the Recipient's territory;

(b) three months before such review, prepare and furnish to the Bank, in scope and detail satisfactory to the Bank, reports needed to undertake the review, including the preparation of a program of action to deal with potential deficiencies in the Project implementation identified prior to such review; and

(c) based on such review, promptly prepare an action plan, satisfactory to the Bank, for the further implementation of the Project, and shall thereafter implement such action plan.

6. The Borrower shall appoint and maintain at all times during Project implementation a committee of experts with qualifications and experience satisfactory to the Association to review the implementation and management of Part C of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part C of the Project and to be financed out of the proceeds of the GEF Trust Fund 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 \$200,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless

the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 300,000.

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 Bank 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 Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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 Bank from the GEF Trust Fund 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund 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 Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank 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 GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank

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

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

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

