

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF055093-CD

Global Environment Facility Trust Fund Grant Agreement

(Community-Based Ecosystem Management)

between

REPUBLIC OF CHAD

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated August 9, 2005

GEF TRUST FUND GRANT NUMBER TF055093-CD

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated August 9, 2005, between REPUBLIC OF CHAD (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 which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Bank has received a letter from the Recipient, dated October 27, 2003, describing a program of actions and objectives designed, *inter alia*, to support the Recipient's decentralization and local development policy (the Program) and declaring the Recipient's commitment to the execution of the Program;

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project) which constitutes a component of the PROADEL Project (as hereinafter defined), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and 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 94-2;

(E) the Recipient has also obtained additional financing in an aggregate principal amount equivalent to sixteen million four hundred thousand Special Drawing Rights (SDR 16,400,000) from the International Development Association (the Association) for the PROADEL Project (as hereafter defined) by an agreement between the Recipient and the Association dated September 30, 2004 (the Development Grant Agreement); and

(F) the Project will be carried out by the PMU (as hereafter defined) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant available to the PMU, as provided in this Agreement; 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 Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), 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), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Sections 4.01 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a) (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 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) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) 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;
- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) a new subparagraph is added after subparagraph (o) 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.”;
- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

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 PSAOP-Beneficiary, a PROADEL-Beneficiary, a PRODABO-Beneficiary, or a PRODALKA-Beneficiary as the case may be;

(b) “CFA Francs” or “CFAF” means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Recipient;

(c) “CLTO” means the Chadian Land Tenure Office (*Observatoire du Foncier au Tchad*), established and operating pursuant to the Recipient’s Decree No. 215/PR/MES/2001 dated April 24, 2001;

(d) “Eligible Expenditures” means the expenditures for goods and consultants’ services referred to in Section 2.02 of this Agreement;

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

(f) “Financing Agreement” means the agreement to be entered into between the Recipient and a Beneficiary for the purposes of carrying out and financing a Microproject;

(g) “GEF Priority Zones” means, collectively, the PRODABO-PRODALKA Priority Zones and the PROADEL Priority Zone;

(h) “LPMU-PROADEL” means each of the three PROADEL Local Project Management Units established and operating at the inter-regional (*région*) level in the PROADEL Priority Zone, pursuant to the PROADEL Project Implementation *Arrêté*;

(i) “MA” means the Recipient’s Ministry of Agriculture;

(j) “MCD” means the Recipient’s Ministry in charge of Decentralization;

(k) “MEW” means the Recipient’s Ministry of Environment and Water;

(l) “Microproject” means a specific activity to be carried out within any of the GEF Priority Zones and financed, or proposed to be financed through a Microproject Grant under Part A of the Project;

(m) Microproject Approval Committees means collectively the PSAOP Approval Committees, the PROADEL Approval Committees, the PRODABO Approval Committee and the PRODALKA Approval Committee;

(n) “Microproject Grant” means a grant made, or proposed to be made, by the PMU to finance a Microproject under Part A of the Project;

(o) “Microproject Management Committee” means the committee to be established by each Beneficiary for the purposes of managing, monitoring and supervising its Microproject(s); and

(p) “ML” means the Borrower’s Ministry of Livestock;

(q) “MLMUH” means the Recipient’s Ministry of Land Management, Urbanism and Habitat;

(r) “MPDC” means the Ministry responsible for Planning, Development and Cooperation;

(s) “NGO” means a non-governmental organization, established and operating in the territory of the Recipient;

(t) “PMU” means the Project Management Unit at MLMUH, which includes the RGCE and is established and operating pursuant to the PROADEL Project Implementation *Arrêté*;

(u) “PROADEL Approval Committees” means the PROADEL Departmental DACs or the PROADEL Sub-Prefectoral DACs;

(v) “PROADEL-Beneficiary” means a community-based organization established and operating under the laws of the Recipient in the PROADEL Priority Zone, which has met the eligibility criteria set out in the Project Implementation Manual, and the requirements of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Microproject Grant for the carrying out of a Microproject;

(w) “PROADEL Departmental DAC” means each of the Recipient’s Decision and Approval Committees established and operating at the departmental (*département*) level in the PROADEL Priority Zone pursuant to the Recipient’s PROADEL Project Implementation *Arrêté*, and responsible for the approval of Microprojects for PROADEL Beneficiaries at the departmental (*département*) or sub-prefectoral (*sous-préfecture*) level, as the case may be, in the PROADEL Priority Zone;

(x) “PROADEL Environmental and Social Management Framework” means the document, adopted by the Recipient on October 20, 2002, consisting of: (i) a framework outlining the modalities for environmental screening and rules and procedures for the preparation and implementation of environmental assessments to be complied with, as the case may be, prior to carrying out a Microproject; and (ii) modalities for social analysis and a resettlement policy framework outlining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under a Microproject;

(y) “PROADEL Priority Zone” means Mandelia Fauna Reserve, Moundou Charcoal Supply Basin and Lake Weye, and Bahr El Gazal;

(z) “PROADEL Project” or “PROADEL” means the Local Development Program Support Project financed with the assistance of the Association pursuant to a Development Grant Agreement No. H126-CD dated September 30, 2004;

(aa) “PROADEL Project Implementation *Arrêté*” means the *Arrêté* No. 008/MATUH/SG/03 dated October 14, 2003;

(bb) “PROADEL Sub-Prefectoral DAC” means each of the Recipient’s Decision and Approval Committees established and operating at the sub-prefectoral (*sous-préfecture*) level in the PROADEL Priority Zone pursuant to the PROADEL Project Implementation *Arrêté* and responsible for the approval of Microprojects for PROADEL Beneficiaries at the sub-prefectoral (*sous-préfecture*) level in the PROADEL Priority Zone;

(cc) “Procurement Plan” means the Recipient’s procurement plan, dated May 12, 2005, covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18-month periods (or longer) of Project implementation;

(dd) “PRODABO Approval Committee” means the Recipient’s approval committee to be established and operating at the departmental (*département*) level in the PROBADO Priority Zone, and responsible for the approval of Microprojects for PRODABO Beneficiaries in the PROBADO Priority Zone;

(ee) “PRODABO-Beneficiary” means a community-based organization established and operating under the laws of the Recipient in the PRODABO Priority Zone, which has met the eligibility criteria set out in the Project Implementation Manual, and the requirements of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Microproject Grant for the carrying out of a Microproject;

(ff) “PRODALKA-Beneficiary” means a community-based organization established and operating under the laws of the Recipient in the PRODALKA Priority Zone, which has met the eligibility criteria set out in the Project Implementation Manual, and the requirements of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Microproject Grant for the carrying out of a Microproject;

(gg) “PRODABO-PRODALKA LPMU” means each of the regional project management units contractually established under the Recipient’s Ministry of Planning (*Ministère du Plan*) and operating at the inter-regional (*région*) level in the PRODABO-PRODALKA Priority Zones;

(hh) “PRODABO-PRODALKA Priority Zone” means Ouaddai-Biltine Watershed System and Binder-Léré Wildlife Reserve and Lake Léré;

(ii) “PRODABO Priority Zone” means the area within the PRODABO-PRODALKA Priority Zone that is limited to the Ouaddai-Biltine Watershed System;

(jj) “PRODALKA Project Implementation *Arrêté*” means the Recipient’s *Arrêté* No. 002/RMKO/DLL/SG/05 dated January 17, 2005;

(kk) “PRODALKA Approval Committee” means the Recipient’s approval committee established and operating at the departmental (*département*) level in the PRODALKA Priority

Zone pursuant to the Recipient's PRODALKA Project Implementation *Arrêté* and responsible for the approval of Microprojects for PRODALKA Beneficiaries in the PRODALKA Priority Zone;

(ll) "PRODALKA Priority Zone" means the part of the PRODABO-PRODALKA Priority Zone other than the PRODABO Priority Zone;

(mm) "Project Administrative, Financial and Accounting Manual" means the Project-specific manual outlining the administrative, financial and accounting arrangements for the implementation of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual;

(nn) "Project Implementation Manual" means the Project-specific manual outlining, *inter alia*, the institutional, disbursement and procurement arrangements for the implementation of the Project and clearly identifying the role of the RGCE within the PMU and the relations of the RGCE with the ministries of the Recipient, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (b) of this Agreement, as the same may be amended from time to time, and such -term includes any schedules to the Project Implementation Manual;

(oo) "Project Monitoring and Evaluation Manual" means the Project-specific manual outlining the monitoring and evaluation arrangements of the Project, referred to in paragraph A.1 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Monitoring and Evaluation Manual;

(pp) "Project Preparation Grant" means the GEF Grant for preparation of the Project in the amount of \$250,000 made on November 3, 2003;

(qq) "Project Semester" means the six-month period beginning from the Effective Date and ending six months thereafter (the First Project Semester) and any six-month period beginning at the end of the First Project Semester, or at the end of any subsequent Project Semester;

(rr) "Protected Areas *Décrets*" means the *Décret* No. I99/PR/EFPC/PNR, dated June 24, 1969, the *Décret* No. I69/PR/EFPC/PNR, dated May 24, 1974, and the *Arrêté* No. 29/S.F, dated January 10, 1955, providing protected status to the areas located within the GEF Priority Zones;

(ss) "PSAOP Approval Committees" means each of the Recipient's Selection Committees established and operating at the departmental (*département*) level pursuant to the PSAOP Project Implementation *Arrêté* and responsible for the approval of Microprojects for PSAOP Beneficiaries to be financed through Microproject Grants;

(tt) “PSAOP-Beneficiary” means a producer organization established and operating under the laws of the Recipient in a GEF Priority Zone, which has met the eligibility criteria set out in the Project Implementation Manual, and the requirements of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Microproject Grant for the carrying out of a Microproject;

(uu) “PSAOP Environmental Assessment” means the document adopted by the Recipient on November 20, 2002, consisting of the report regarding the environmental assessment carried out by the Recipient for the implementation of the Project, together with the following annexes thereto: (i) the part of the PSAOP Environmental Assessment which defines mitigation measures to be carried out under the Project, including training and capacity building, and the institutional arrangements for the implementation and monitoring of such measures (PSAOP Environmental Management Plan); (ii) the PSAOP Environmental Management Framework; (iii) the part of the PSAOP Environmental Assessment which describes the dam safety measures to be implemented for the construction of each dam not higher than two meters (Small Dam) under the Project, including in particular institutional arrangements for the training of, and the provision of necessary technical assistance to, the relevant PSAOP Beneficiaries, and for the monitoring of any Small Dam, as appropriate (PSAOP Dam Safety Analysis); (iv) the part of the PSAOP Environmental Assessment which outlines the modalities to develop and implement an integrated pest management under the Project (the PSAOP Pest Management Plan); and (v) the part of the PSAOP Environmental Assessment which defines the modalities for land acquisition, resettlement and rehabilitation of displaced persons under a Microproject (PSAOP Resettlement Policy Framework);

(vv) “PSAOP Environmental Management Framework” means the part of the PSAOP Environmental Assessment which defines: (i) the modalities to be followed to assess the environmental and social impacts of any Microproject; and (ii) the measures and actions to offset, reduce or mitigate adverse environmental and social impacts of such Microproject;

(ww) “PSAOP-IRPCMU” means each of the six Inter-Regional Project Coordination and Management Units of PSAOP-NPCMU at MA established and operating at the inter-regional level (*région*) pursuant to the PSAOP Project Implementation *Arrêté*;

(xx) “PSAOP-NPCMU” means the National Project Coordination and Management Unit at MA, established and operating pursuant to the PSAOP Project Implementation *Arrêté*;

(yy) “PSAOP Project Implementation *Arrêté*” means *Arrêté* No. 039/MA/SG/2003 dated October 9, 2003;

(zz) “PSAOP Project” or “PSAOP” means the Agricultural Services and Producer Organizations Project financed with the assistance of the Association pursuant to a Development Credit Agreement No. 3837-CD, dated December 22, 2003;

(aaa) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 to this Agreement;

(bbb) “RGCE” means the person responsible for supervising the Project within the PMU;

(ccc) “SC” means the Steering Committee for the Project, established and operating pursuant to the Recipient’s *Arrêté* No. 027/PM/2003 dated September 25, 2003 (the Rural Sector Monitoring *Arrêté*), and referred to in paragraphs A.2 and A.4 of Schedule 4 to this Agreement;

(ddd) “Scientific and Technical Committee” means the Community-Based Ecosystem Management Scientific and Technical Committee at MEW established and operating pursuant to the Recipient’s *Arrêté* No. 023/PR/PM/MEE/SG/05 dated April 29, 2005 (the Scientific Committee *Arrêté*);

(eee) “Special Accounts” means the accounts referred to in paragraph B.1 of Schedule 1 of this Agreement;

(fff) “Technical Support Agency” means an NGO, any of the decentralized technical public services of the Recipient, or any other entity providing assistance to the Beneficiaries for the identification, appraisal, and preparation of Microprojects and for the supervision of the implementation of such Microprojects.

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 equal to six million Dollars (\$6,000,000).

Section 2.02. 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: (i) 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 Parts B, C, and D of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) by the Recipient on account of withdrawals made under a Microproject Grant to meet the reasonable cost of goods, works and services required for carrying out a Microproject to be financed under Part A of the Project, in respect of which the withdrawal from the Grant Account is requested.

Section 2.03. The Closing Date shall be March 31, 2010 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 the Project through PMU with due diligence and efficiency and in conformity with appropriate administrative, financial, institutional, engineering and environmental 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. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. 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 before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project; and

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall, for the purposes of the Project:

(a) open and thereafter maintain, for the duration of the Project, an account in CFA Francs (the Project Account) in a commercial bank on terms and conditions satisfactory to the Bank;

(b) deposit into the Project Account an initial contribution of CFA Francs 100,000,000;

(c) within six months of the Effective Date deposit into the Project Account an additional contribution of CFA Francs 100,000,000

(d) thereafter deposit in the Project Account, at the end of each Project Semester, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of CFA Francs 200,000,000, or whenever the balance of the Project Account shall be less than CFA Francs 100,000,000; and

(e) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition of those financed from the proceeds of the Grant.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient 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 Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year (or other period agreed to by the Bank), commencing with the fiscal year in which the first withdrawal under the Project Preparation Grant was made, audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, 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;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph C of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, 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 GEF Trust Fund 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 Bank 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 Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

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

(a) a situation shall have arisen which shall make it impossible that the Recipient's Program or a significant part thereof, will be carried out;

(b) the PROADEL Project Implementation *Arrêté*, the PSAOP Project Implementation *Arrêté*, the Rural Sector Monitoring *Arrêté*, the Science Committee *Arrêté*, the PRODALKA Project Implementation *Arrêté* or any of the Protected Areas *Décrets*, shall have been amended, suspended, abrogated, repealed or waived so to materially and adversely affect the implementation of the Project; or

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

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

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01(c) of the General Conditions:

(a) the Recipient has established an accounting and financial management system for the Project satisfactory to the Bank;

(b) the Recipient has adopted a Project Administrative, Financial and Accounting Manual, a Project Implementation Manual and a Project Monitoring and Evaluation Manual, all in form and substance satisfactory to the Bank;

(c) the Project Account has been opened and the initial contribution referred to in Section 3.04 (b) of this Agreement has been deposited therein; and

(d) the PROADEL Project Implementation *Arrêté* has been amended to reflect the recruitment of the personnel necessary for the implementation of the Project.

Section 6.02. 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 6.03. 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 VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient at the time responsible for planning, development and cooperation is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Ministry of Planning, Development and Cooperation,
B.P. 286
N'Djamena
Republic of Chad

Telex:
5329 KD

Facsimile:
(235) 51 51 85
(235) 52 00 87

For the Bank:

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

Cable address:
INTBAFRAD
Washington, D.C.

Telex:
248423 (MCI)
64145 (MCI)

Facsimile:
(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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CHAD

By: /s/ Mahamoud Béchir Adam
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment Facility

By: /s/ Ali M. Khadr
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

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

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>U.S. dollars</u>)	% of Expenditures <u>to be Financed</u>
(1) Goods	300,000	100% of foreign expenditures and 82% of local expenditures
(2) Consultants' services and audits	1,400,000	82%
(3) Training	900,000	100%
(4) Microproject Grants	2,500,000	100% of amounts disbursed
(5) Operating Costs	600,000	78%
(6) Unallocated	300,000	
TOTAL	===== 6,000,000	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; provided, however,

that if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”;

(c) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, utilities expenses, consumables, transport, travel and accommodation, per diem, supervision costs and salaries of locally contracted staff, but excluding salaries of officials of the Recipient’s civil service; and

(d) the term “Training” means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) payments made for expenditures prior to the date of this Agreement;

(b) a Microproject Grant under Category (4) unless the Microproject Grant has been made in accordance with the criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of paragraph B of Schedule 4 to this Agreement; and

(c) Microproject Grants to PRODABO Beneficiaries that concern or affect any part of the PRODABO Priority Zone until the PRODABO Approval Committee has been established by the Recipient through an *Arrêté* or other instrument of the Recipient in form and substance satisfactory to the Bank.

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 under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) services of individual consultants costing less than \$50,000 equivalent per contract; and (c) services of consulting firms costing less than \$100,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Recipient may open and maintain in CFA Francs two separate special deposit accounts, one for Part A of the Project (Special Account A), and one for Parts B, C and D of the Project (Special Account B) in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

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

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Accounts, 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.

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

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) 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: (A) the records and accounts for the relevant Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

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

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

Annex A

to

SCHEDULE 1

**Operation of Special Accounts
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex:

(a) “Eligible Categories” means in respect of Special Account A, Category (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and in respect of Special Account B, Categories (1), (2), (3), and (5) set forth in said table;

(b) the term “Authorized Allocation” means an amount of CFAF 250,000,000 in respect of Special Account A, and an amount of CFAF 250,000,000 in respect of Special Account B, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount of CFAF 125,000,000 in respect of Special Account B, until: (i) the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to Categories (1), (2), (3), and (5) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts B, C and D of the Project shall be equal to or exceed the equivalent of USD 1,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 Accounts of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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 Accounts such amount as the Recipient shall have requested.

(b) For replenishment of the Special Accounts, the Recipient shall furnish to the Bank requests for deposit into the Special Accounts at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the relevant 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

relevant Special Account for Eligible Expenditures. Each such deposit into the Special Accounts shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Accounts, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 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 Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B

to

SCHEDULE 1

**Operation of Special Accounts
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Accounts shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the relevant Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to restore some of the Recipient's most fragile ecosystems by enabling local communities to better fight desertification, rehabilitate worn land and protect biodiversity.

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 objective:

Part A: Financial support for community-based ecosystem management Microprojects

Provision of Microproject Grants to Beneficiaries for the financing of Microprojects to support local development for environmental activities of medium and long term economic return within the GEF Priority Zones, including, *inter alia*, the reforestation and rehabilitation of gallery forests to diminish desertification, development of grazing corridors, community co-management of protected areas, alternative energy carriers to fuel wood and traditionally produced charcoal, introduction of direct seeding, and other agro-forestry techniques that can enhance soil fertility, retain soil organic carbon and limit erosion.

Part B: Capacity building for integrated ecosystem management

1. Ecosystem management schemes.

Supporting collaboration between key stakeholders to pursue integrated ecosystem management priorities at larger scales and to prepare ecosystem management schemes through the provision of technical and organizational assistance, including *inter alia*, the realization of a participatory diagnostic and technical studies and GIS mapping to identify the opportunities and constraints to integrated ecosystem management, as well as the key stakeholders impacted and providing assistance to communities in the co-management of protected areas.

2. Training of stakeholders.

Development of program on environmental education and awareness raising, including organization of courses, workshops, meetings, pilot initiatives to the benefit of the Beneficiaries and technical service agencies on ecosystem management, but also dissemination of an Integrated Ecosystem Management Guideline Document as a capacity building tool for consolidating approaches in local development planning.

Part C: Support for an enabling environment for community-based integrated ecosystem management

1. Improvement of the legal and regulatory framework

Carrying out of studies, workshops and provision of technical advisory services to MEW in order to assist in potential modifications of the existing environmental regulatory framework and to promote community support for such reforms.

2. Institutional support

a. Strengthening of the institutional and technical capacities of MEW (at the central and decentralized levels) through the provision of technical advisory services and logistical support, primarily in the GEF Priority Zones, to improve skills and monitoring and environmental enforcement powers of MEW institutions.

b. Carrying out of studies, workshops and sensitivity campaigns and provision of technical advisory services in order to assist in the decentralization process of environmental governance.

3. Sustainable financing

a. Supporting the promotion of partnerships between local communities and non-GEF sources of financing to sustain ecosystem management schemes, including, *inter alia*, private sector financing for income-generating activities, tax revenues from forest products and other natural resources, such as fisheries, international foundations and NGOs, national funds planned for environmental and natural resource management, decentralized co-operation, carbon finance or any other payments for environmental services.

b. Providing technical support to the Recipient for the establishment of a National Fund for the Environment and the development of a community partnership framework.

Part D: Management and monitoring support

1. Support to Project management

Supporting the PMU through the provision of technical advisory services and training, and the acquisition of equipment and vehicles.

2. Support to Project monitoring and evaluation

Provide financial support for the monitoring and evaluation activities set forth under the Project Monitoring and Evaluation Manual

3. Monitoring of ecosystem management at the national level

Strengthening the monitoring and evaluation system of ecosystem management at the national level, through *inter alia* supporting a feasibility study for the establishment of a National Observatory of Natural Resources.

* * *

The Project is expected to be completed by September 30, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: 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 Bank 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.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost more than \$50,000 equivalent per contract, and goods estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

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

3. Procurement from UN Agencies. Computers, vehicles and office equipment estimated to cost less than \$50,000 equivalent per contract, may be procured from the Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Procurement Guidelines.

4. Community Participation. Goods and works required for Part A of the Project shall be procured in accordance with procedures acceptable to the Bank, as set forth in the Project Implementation 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 for contracts estimated to cost the equivalent or more than \$100,000 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 \$50,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. 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 Bank'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, with prior approval of the Bank, be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more; and (b) the first three contracts for goods awarded under National Competitive Bidding procedures; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each

contract for the employment of individual consultants to be selected on a sole source basis, estimated to cost the equivalent of \$50,000 or more, shall be subject to Prior Review by the Bank.

All other contracts shall be subject to Post Review by the Bank. However, the exception to Prior Review by the Bank shall not apply to: (a) the terms of reference of such contracts, regardless of their estimated cost; (b) all contracts for audit services, regardless of their estimated cost; and (c) annual programs for local and overseas training and workshops, including terms of reference and estimated budgets.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation

1. Except as the Bank shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, procedures and arrangements set out in the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual and the PROADEL Environmental and Social Management Framework, PSAOP Environmental Assessment; and (b) not amend or waive, or permit to be amended or waived, the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual, the PROADEL Environmental and Social Management Framework and the PSAOP Environmental Assessment, or any provision thereof, in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project.

2. SC and PMU

During the execution of the Project, the Recipient shall cause: (a) SC to meet quarterly; and (b) PMU to prepare for the meetings of the SC, not later than two weeks before such meetings, a report regarding the implementation of the Project during the preceding quarter.

3. Annual Consultations

The Recipient shall cause PMU to organize regional annual workshops to establish annual priorities for ecosystem management activities in conformity with the provisions of the Project Implementation Manual.

4. The Recipient shall ensure that, at all times during the execution of the Project:

(a) SC, together with the Scientific and Technical Committee, shall supervise the overall planning, implementation and supervision of the Project; and PMU, in collaboration with the LPMUs-PROADEL and the PRODABO-PRODALKKA-LPMUs and PSAOP-IRPCMUs, shall be responsible for the day to day coordination and implementation of the Project;

(b) the qualifications and experience of the staff within MLMUH, MEW, MCD, SC, the Scientific and Technical Committee, the PMU, the LPMUs-PROADEL, the PRODABO-PRODALKA-LPMUs, PSAOP-IRPCMUs, the PSAOP Approval Committees, the CLTO, the three regional offices of CLTO, the PROADEL Approval Committees, the PRODALKA Approval Committee and the PRODABO Approval Committee, with Project responsibilities, shall be satisfactory to the Bank;

(c) SC, the Scientific and Technical Committee, the PMU, the LPMUs-PROADEL, the PRODABO-PRODALKA-LPMUs, PSAOP-IRPCMUs, the PSAOP Approval Committees, the PROADEL Approval Committees, the PRODALKA Approval Committee and the PRODABO Approval Committee, shall be maintained with functions and composition satisfactory to the Bank;

(d) the relevant Ministries, Agencies and authorities (in particular, MLMUH, MCD, the MPDC, MEW, MA, ML and CLTO), shall collaborate with PMU, the LPMUs-PROADEL, the PRODABO-PRODALKA-LPMUs, PSAOP-IRPCMUs, the PSAOP Approval Committees, the PROADEL Approval Committees, the PRODABO Approval Committee and the PRODALKA Approval Committee in compliance with the provisions of the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual, the PROADEL Environmental and Social Management Framework and the PSAOP Environmental Assessment, in particular with respect to the appointment of individuals whose experience, position and performance are satisfactory to the Bank, and who shall assist PMU, LPMUs-PROADEL, the PRODABO-PRODALKA-LPMUs, PSAOP-IRPCMUs, the PSAOP Approval Committees, the PROADEL Approval Committees, the PRODALKA Approval Committee and the PRODABO Approval Committee in ensuring proper implementation of the Project; and

(e) the PSAOP Approval Committees, the PROADEL Approval Committees, the PRODALKA Approval Committee and the PRODABO Approval Committee have or shall have been established in compliance with the provisions of, and in particular the criteria set forth in the Project Implementation Manual.

B. Microprojects and Microproject Grants

1. No Microproject shall be eligible for financing out of the proceeds of the Grant unless the relevant PSAOP Approval Committee, the PROADEL Approval Committee, the PRODALKA Approval Committee or the PRODABO Approval Committee, as the case may be, has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Microproject satisfies, *inter alia*, the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include, *inter alia*, the following:

(a) that the Microproject shall be initiated by a Beneficiary and be submitted either: (i) by a PSAOP Beneficiary to the relevant PSAOP Approval Committee; or (ii) by a PROADEL Beneficiary to the relevant PROADEL Departmental DAC or PROADEL Sub-Prefectoral DAC,

as the case may be; or (iii) by a PRODABO Beneficiary to the relevant PRODABO Approval Committee; or (iv) by a PRODALKA Beneficiary to the relevant PRODALKA Approval Committee;

(b) that the Microproject Grant shall finance any of the activities on the list of activities eligible for GEF financing set forth in the Project Implementation Manual and included in the local development plans;

(c) (i) that the Microproject submitted to the PRODALKA Approval Committee: (1) concerns or affects any part of the PRODALKA Priority Zone that is within the geographical scope of such PRODALKA Approval Committee; and (2) does not fall within the types of activities attributed to the PSAOP Approval Committees under the PIM ;

(ii) that the Microproject submitted to the PRODABO Approval Committee: (1) concerns or affects any part of the PRODABO Priority Zone that is within the geographical scope of such PRODABO Approval Committee; and (2) does not fall within the types of activities attributed to the PSAOP Approval Committees under the PIM;

(iii) that the Microproject submitted to any of the PSAOP Approval Committees: (1) concerns or affects any part of the GEF Priority Zone; and (2) shall fall within the types of activities attributed to the PSAOP Approval Committees under the PIM;

(iv) that the Microproject submitted to any of the PROADEL Approval Committees: (1) concerns or affects any part of the PROADEL Priority Zone; and (2) shall fall within the types of activities attributed to the PROADEL Approval Committees under the PIM;

(d) that the Microproject shall be economically, financially, environmentally, institutionally and technically sound in accordance with the standards specified in the Project Implementation Manual, and: (i) for Microprojects reviewed by any of the PSAOP Approval Committees, the PSAOP Environmental Assessment; or (ii) for Microprojects reviewed by any of the PROADEL Approval Committees, the PROADEL Environmental and Social Management Framework; or (iii) for Microprojects reviewed by any of the PRODABO or PRODALKA Approval Committees, the PROADEL Environmental and Social Management Framework or the PSAOP Environmental Assessment, as applicable, as determined by the PIM.

(e) that an analysis of the environmental impacts of the Microproject shall have been undertaken in compliance with the provisions of the PROADEL Environmental and Social Management Framework or the PSAOP Environmental Assessment, as applicable, and, if applicable, an environmental impact assessment shall have been carried out and any other environmental and social requirements, including mitigation, compensation, rehabilitation and resettlement measures, provided under the PROADEL Environmental and Social Management

Framework or the PSAOP Environmental Assessment, as applicable, shall have been complied with, all in a manner satisfactory to the Bank;

(f) that adequate arrangements shall be in place for the financing of maintenance and other incremental recurrent costs related to the Microproject;

(g) that the Microproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, education, safety and environmental protection;

(h) that the Beneficiary shall provide from 5 to 20 % of the estimated costs of the Microproject in the form of cash, materials, labor or other services, depending on the nature of the Microproject and as specified in the Project Implementation Manual;

(i) that no Microproject Grant to any single Beneficiary shall be in excess of thirty two million five hundred thousand CFA Francs (CFAF 32,500,000); and

(j) that the Beneficiary shall have established a Microproject Management Committee;

2. Whenever the respective PSAOP Approval Committee, PROADEL Approval Committee, PRODALKA Approval Committee or PRODABO Approval Committee, as the case may be, approves an application for a Microproject Grant, the PSAOP Approval Committee, PROADEL Approval Committee, the PRODALKA Approval Committee or PRODABO Approval Committee, as the case may be, refers such application for financing to the PMU.

3. Microprojects shall be carried out pursuant to Financing Agreements, to be concluded between the Recipient and the Beneficiaries, under terms and conditions satisfactory to the Bank, which, inter alia, shall include the following:

(a) financing to be on a grant basis;

(b) the obligation to carry out the Microproject in accordance with the Project Implementation Manual and: (i) for Microprojects reviewed by any of the PSAOP Approval Committees, the PSAOP Environmental Assessment; or (ii) for Microprojects reviewed by any of the PROADEL Approval Committees, the PROADEL Environmental and Social Management Framework; or (iii) for Microprojects reviewed by the PRODALKA Approval Committee or the PRODABO Approval Committee, the PROADEL Environmental and Social Management Framework or the PSAOP Environmental Assessment, as applicable, with due diligence and efficiency and in accordance with sound environmental, social, institutional, technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Microproject;

(c) where applicable, the obligation to carry out, in a manner satisfactory to the Recipient and the Bank, any environmental analysis and an environmental assessment, and to adopt adequate environmental mitigation measures, compensation and rehabilitation of affected persons for land acquisition or resettlement in accordance with the provisions of the PROADEL Environmental and Social Management Framework or the PSAOP Environmental Assessment, as applicable;

(d) the requirement that : (i) the goods, works and services to be financed from the proceeds of the Microproject Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Microproject;

(e) the right of the Recipient to inspect, by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites and construction included in the Microproject, the operations thereof and any relevant records and documents;

(f) the right of the Recipient to obtain all information as the Recipient or the Bank shall reasonably request from a Beneficiary regarding the administration, operations and financial conditions of the Microproject; and

(g) the right of the Recipient to suspend or terminate the right of the Beneficiary to use the proceeds of the Microproject Grant for the Microproject upon failure by the Beneficiary to perform any of its obligations under its Financing Agreement.

C. Reports and Mid-Term Review

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Project Monitoring and Evaluation Manual and performance indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than January 31, April 30, July 31 and October 31 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph C.1 (a) above and including beneficiary feedback reports and Microproject completion reports, on the progress achieved in the carrying out of the Project during the calendar quarter 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 objective thereof during the calendar quarter following such date; and

(c) review with the Bank, not later than two weeks after the submission of the report referred to in paragraph C.1 (b) above, or such later date as the Bank shall request, the report

referred to in paragraph C.1 (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. Midterm Review

(a) On or about twenty four months after the Effective Date, the Recipient shall carry out jointly with the Bank, SC, the LPMU-PROADELs and the PMU a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objective; and
- (ii) overall Project performance against Project performance indicators.

(b) The Recipient shall cause PMU to prepare and, at least four weeks prior to the Midterm Review, furnish to the Bank a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Recipient shall, not later than four weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 5

Outcome Indicators

Financial Support for community-based ecosystem management Microprojects

- (a) By the Midterm Review, 45% of approved Microprojects (constituting at least 20 Microprojects) have been completed.
- (b) By the end of the Project, 70% of approved Microprojects (constituting at least 50 Microprojects) have been completed.

Capacity building for integrated ecosystem management

- (a) By the Midterm Review, 50 training sessions or sensitization campaigns to benefit community-based organizations have been implemented at the community level.
- (b) By the end of the Project, three ecosystem management schemes have been conceived.
- (c) By the end of the Project, at least 25% of local development plans in the GEF Priority Zone specifically address integrated ecosystem management issues in the manner set forth in the PIM.

Support for an enabling environment for community-based ecosystem management

- (a) By the Midterm Review, the draft decree on the National Fund for Environment related to the Law 14/PR dated August 17, 1998, and the draft Law concerning management of forests and fauna has been prepared.
- (b) By the end of the Project, decree on National Fund for Environment related to Law 14/PR dated August 17, 1998, and the draft Law concerning management of forests and fauna have been enacted or signed, as the case may be.
- (c) By the end of the Project, the implementation ratio of number of training sessions, as planned by the PMU to benefit the MEW reaches 60 %.

Management and monitoring support

- (a) By the end of the Project, 80% of the reports to be prepared by PMU under the Project Monitoring and Evaluation Manual have been issued in a timely manner.
- (b) By the end of the Project, a feasibility study of the National Observatory for Natural Resources Monitoring has been performed and approved.