

CONFORMED COPY

IDA GRANT NUMBER H126 CD

Development Grant Agreement

(Local Development Program Support Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 30, 2004

IDA GRANT NUMBER H126 CD

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated September 30, 2004, between REPUBLIC OF CHAD (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association 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;

(B) the Recipient has requested that the Association assist in the financing of the Program through a series of grants or credits over a period of approximately twelve years to be utilized by the Recipient in the implementation of the Program; and

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 of this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective

meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means a community-based organization or a decentralized local government entity (*communautés rurales* in rural areas and *communes* in urban areas) established and operating under the laws of the Recipient in the Project Area (as hereinafter defined), which has met the eligibility criteria set out in the Project Implementation Manual (as hereinafter defined), and the requirements of Schedule 4 to this Agreement, and, as a result, has received or is entitled to receive a Subproject Grant (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(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) “Departmental DAC” means each of the Recipient’s Decision and Approval Committees established and operating at the departmental (*département*) level in the Project Area pursuant to the Recipient’s *Arrêté* No. 008/MATUH/SG/03 dated October 14, 2003 (the Project Implementation *Arrêté*), and responsible for the selection and approval of Subprojects at the departmental (*département*) or sub-prefectoral (*sous-préfecture*) level, as the case may be, in the Project Area;

(e) “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 Subproject; 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 Subproject;

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

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

(h) “LPMU” means each of the three Local Project Management Units of PMU (as hereinafter defined) at MLMUH (as hereinafter defined) established and

operating at the inter-regional (*région*) level in the Project Area, pursuant to the Project Implementation Arrêté;

(i) “MD” means the Recipient’s Ministry of Decentralization;

(j) “MEF” means the Recipient’s Ministry of Economy and Finance;

(k) “MFTU” means the Micro-Finance Technical Unit at MEF, established and operating pursuant to the Recipient’s *Arrêté* No. 293/MF/SE/DG/2002 dated November 13, 2002;

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

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

(n) “PMU” means the Project Management Unit at MLMUH established and operating pursuant to the Project Implementation Arrêté;

(o) “Procurement Plan” means the Recipient’s procurement plan, dated July 28, 2004, covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18-month periods (or longer) of Project implementation;

(p) “Project Account” means the account referred to in Section 3.04 (a) of this Agreement;

(q) “Project Administrative, Financial and Accounting Manual” means the 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;

(r) “Project Area” means the Recipient’s departments (*départements*) of Mandoul Occidental, Mandoul Oriental, Bahr Sara, Dodge, Lac Weye, Ngourkosso, Tandjile Est, Tandjile Ouest, La Nya Pende, La Pende, Monts de Lam, Baguirmi, Chari, Loug Chari, Dababa, Bahr El Gazal, Bahr Koh, Bahr Signaka and Fitri;

(s) “Project Implementation Manual” means the manual outlining, *inter alia*, the institutional, disbursement and procurement 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 Implementation Manual;

(t) “Project Monitoring and Evaluation Manual” means the manual outlining the monitoring and evaluation arrangements 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 Monitoring and Evaluation Manual;

(u) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 28, 2002 and on behalf of the Recipient on February 1, 2002, and to the letter agreement signed on behalf of the Association on October 23, 2003 and on behalf of the Recipient on October 24, 2003;

(v) “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;

(w) “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.3 and A.5 of Schedule 4 to this Agreement;

(x) “Second Generation Special Accounts” means the accounts referred to in Section 2.02 (c) of this Agreement;

(y) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(z) “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 Project Area pursuant to the Project Implementation *Arrêté* and responsible for the selection and approval of Subprojects at the sub-prefectoral (*sous-préfecture*) level in the Project Area;

(aa) “Subproject” means a specific activity to be carried out in the Project Area and financed, or proposed to be financed through a Subproject Grant under Part A of the Project;

(bb) “Subproject Grant” means a grant made, or proposed to be made, by a LPMU to finance a Subproject under Part A of the Project;

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

(dd) “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 Subprojects and for the supervision of the implementation of such Subprojects.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixteen million four hundred thousand Special Drawing Rights (SDR 16,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out Parts B, C, and D of the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or, if the Association shall so agree, to be made) by the Recipient on account of withdrawals made under a Subproject Grant to meet the reasonable cost of goods, works and services required for carrying out a Subproject to be financed under Part A of the Project, in respect of which the withdrawal from the Grant Account is requested.

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

(c) Upon completion of a financial management system review, to be found satisfactory by the Association, to evaluate the financial management system in place in each LPMU, the Recipient may additionally open and maintain in CFA Francs, for the benefit of each LPMU, one Second Generation Special Account of Special Account A, each in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and or attachment.

(d) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, such rate not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.05 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency of the French Republic or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on May 15 and November 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through PMU and the LPMUs with due diligence and efficiency and in conformity with appropriate administrative, financial, institutional, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

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

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

(b) afford the Association 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 Association;

(b) deposit into the Project Account an initial contribution of CFA Francs 300,000,000;

(c) within six months of the Effective Date deposit into the Project Account an additional contribution of CFA Francs 265,000,000;

(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 282,750,000, or whenever the balance of the Project Account shall be less than CFA Francs 565,000,000; 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.

Section 3.05. Within one year of the Effective Date, the Recipient shall establish an LPMU at N'Djamena in a manner satisfactory to the Association.

Section 3.06. Within three months of the Effective Date, the Recipient shall establish a monitoring and evaluation system for the Project satisfactory to the Association.

Section 3.07. Within three months of the Effective Date, the Recipient shall ensure that representatives of the producers organizations, the NGOs, the associations (*associations*), and the unions within the SC are elected in the manner provided in the Rural Sector Monitoring Arrêté.

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 Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts and Second Generation Special Accounts for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association) as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph C of Schedule 4 to this Agreement, the Recipient shall

prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

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

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

ARTICLE V

Remedies of the Association

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

(a) a situation shall have arisen which shall make it impossible that the Program or a significant part thereof, in particular the provisions of paragraph 22 (i) of the Program, will be carried out; and

(b) the Project Implementation Arrêté governing the operations of PMU, the LPMUs, the Departmental DACs and the Sub-Prefectoral DACs, or the Rural Sector Monitoring Arrêté governing the operations of SC, shall have been amended, suspended, abrogated, repealed or waived so to materially and adversely affect the implementation of the Project.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

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

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

(c) the Recipient has employed the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Schedule 3 to this Agreement; and

(d) the Recipient has established two LPMUs in Koumra and in Moundou, respectively, each with the following staff: a regional coordinator, an accountant, a monitoring and evaluation specialist, a social and environmental specialist, and a training and communication specialist, all employed in accordance with the provisions of Schedule 3 to this Agreement.

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.

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 Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
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/ /s/ Abdoulaye Beri
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ali M. Khadr
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	360,000	100% of foreign expenditures and 82% of local expenditures
(2) Goods and vehicles	1,780,000	100% of foreign expenditures and 82% of local expenditures
(3) Consultants' services and audits	3,470,000	82%
(4) Training	490,000	100%
(5) Subproject Grants	7,150,000	100% of amounts disbursed
(6) Operating Costs	710,000	78%
(7) Refunding of Project Preparation Advance	850,000	Amount due pursuant to Section 2.02 (d) of this Agreement
(8) Unallocated	1,590,000	
TOTAL	<u>16,400,000</u>	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Recipient 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, rental expenses, 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; and

(b) a Subproject Grant under Category (5) unless the Subproject 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.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$250,000 equivalent each; (b) works under contracts costing less than \$500,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms and less than \$50,000 equivalent each for individual consultants; and (d) Training and Operating Costs, each under such terms and conditions as the Association shall specify by notice to the Recipient.

5. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient to design and implement a decentralized and participatory mechanism that aim to empower local communities and decentralized authorities to manage development funds in a transparent way and according to their own priorities.

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

Part A: Supporting Local Development

Provision of Subproject Grants to Beneficiaries for the financing of Subprojects to support local development, including, in particular: (a) the financing of social activities such as the construction of infrastructure (for example, rural roads, bridges, classrooms, wells, and health posts), the provision of training to the Beneficiaries in order to strengthen their technical capacities, the carrying out of social sector information campaigns and communication activities, and the technical advisory services relating thereto; and (b) the financing of natural resource management activities such as erosion control, tree nurseries, forest management and fuel wood activities, and the technical advisory services relating thereto.

Part B: Capacity Building for Local Development Stakeholders

1. Strengthening of the institutional and technical capacities of Departmental DACs and Sub-Prefectoral DACs through the provision of training for, inter alia, the following subject matters: local governance, strategic planning, human resources management, accounting, procurement, disbursement, feasibility studies, monitoring, communication and implementation of the Environmental and Social Management Framework.
2. Carrying out of information and sensitization campaigns and pilot initiatives to the benefit of the Beneficiaries on behavior changes contributing to poverty reduction and local development, regarding, in particular, nutrition, health, hygiene, natural resources techniques and household energy.
3. Supporting the expansion of micro-finance institutions in the Project Area through: (a) the provision of technical advisory services to MFTU for the preparation and implementation of a regulatory framework applicable to micro-finance institutions

established and operating in the territory of the Recipient; (b) the provision of training to the staff of such micro-finance institutions and to local communities; and (c) carrying out of feasibility studies and business plans set-ups; acquisition of office equipment, bicycles, motorcycles and other non-motorized vehicles to support these activities.

Part C: Supporting Decentralization

1. Carrying out of studies and provision of technical advisory services to MD in order to finalize the preparation of the decentralization legal texts.

2. Strengthening of the institutional and technical capacities of all stakeholders involved in the decentralization process, including, in particular:

 (a) carrying out of: (i) an assessment of training needs for staff at MD, and (ii) a training program for staff at MD;

 (b) acquisition of equipment and vehicles and rehabilitation and construction of offices for MD;

 (c) provision of technical advisory services to MD to prepare and implement a communication strategy for the decentralization process, and to establish a training and support program to strengthen the capacities of decentralized governments at the regional (*région*), departmental (*département*), sub-prefectoral (*sous-préfecture*) and local (*communautés rurales* in rural areas and *communes* in urban areas) levels, local communities, decentralized Ministries, traditional authorities and Technical Support Agencies;

 (d) as a pilot activity, carrying out of the training and support program referred to in (c) above, in ten decentralized local government entities (*communes*) in the Project Area; in relation thereto, acquisition of equipment; and

 (e) provision of training and technical advisory services to MLMUH at the central and decentralized levels, and carrying out of studies and acquisition of equipment and vehicles for MLMUH.

3. (a) Strengthening of the institutional and technical capacities of CLTO through the provision of training and technical advisory services and the acquisition of equipment and geographical data for the establishment of a land tenure data base, the definition of curricula and research programs on land tenure.

(b) Support to the creation of a decentralized unit of CLTO in each of the three regions (*régions*) of Mandoul, Logone Occidental and Tandjile through the provision of training and technical advisory services, the carrying out of workshops and the acquisition of equipment and geographical data.

Part D: Supporting Project Management

1. Support to PMU and the LPMUs through the provision of technical advisory services and training, the rehabilitation and construction of offices and the acquisition of equipment and vehicles.
2. Carrying out the activities under the Project Monitoring and Evaluation Manual through the provision of technical advisory services to PMU and the LPMUs.
3. Carrying out financial and technical audits of the Project, PMU and the LPMUs through the provision of technical advisory services.

* * *

The Project is expected to be completed by December 31, 2008.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Works, Goods 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.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$500,000 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 Association, 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 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 for small studies, engineering design and supervision, monitoring and evaluation and short term assignments 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 related to household energy activities under paragraph 2 of Part B of the Project, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in

paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more; and (c) the first three contracts for works and the first three contracts for goods awarded under National Competitive Bidding procedures; and (d) 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 Association.

All other contracts shall be subject to Post Review by the Association. However, the exception to Prior Review by the Association 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. Within one month of the Effective Date, the Recipient shall take all measures necessary on its part to organize, in conjunction with the Association, a workshop for the launching of the Project which shall cover, *inter alia*, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

2. Except as the Association 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 Environmental and Social Management Framework; 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 and the Environmental and Social Management Framework, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

3. SC and PMU

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

4. Annual Consultations

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

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

(a) SC shall manage the overall planning, implementation and supervision of the Project; PMU, in collaboration with the LPMUs, shall be responsible for the day to day coordination and implementation of the Project;

(b) the qualifications, experience and performance of the staff within MLMUH, MD, SC, PMU, the LPMUs, CLTO, the three regional units of CLTO, the

Departmental DACs and the Sub-Prefectoral DACs in charge directly or indirectly of the implementation of any parts of the Project, shall be satisfactory to the Association;

(c) SC, PMU, the LPMUs, the Departmental DACs and the Sub-Prefectoral DACs shall be maintained with functions and composition satisfactory to the Association;

(d) the relevant Ministries, Agencies and authorities (in particular, MLMUH, MD, the Ministry responsible for Planning, Development and Cooperation, the Ministry responsible for agriculture, the Ministry responsible for environment and water, the Ministry responsible for livestock, the Ministry responsible for public works and transports, the Ministry responsible for public health and the Ministry responsible for education), shall collaborate with PMU, the LPMUs, CLTO, the three regional units of CLTO, the Departmental DACs and Sub-Prefectoral DACs in compliance with the provisions of the Project Implementation Manual, the Project Administrative, Financial and Accounting Manual, the Project Monitoring and Evaluation Manual and the Environmental and Social Management Framework, in particular with respect to the appointment of individuals whose experience, position and performance are satisfactory to the Association, and who shall assist PMU, LPMUs, CLTO, the three regional units of CLTO, and the Departmental DACs and Sub-Prefectoral DACs in ensuring proper implementation of the Project; and

(e) the Departmental DACs and Sub-Prefectoral DACs shall be established in compliance with the provisions of, and in particular the time-frame and the criteria set forth in the Project Implementation Manual; in that respect, the Recipient shall determine whether each *sous-préfecture* shall have a Sub-Prefectoral DAC, based on the level of population and decentralized services of the Ministries referred to in the Project Implementation Arrêté in the relevant *sous-préfecture*.

B. Subprojects and Subproject Grants

1. Without limitation upon the provisions of paragraph A.2 above, no Subproject shall be eligible for financing out of the proceeds of the Grant unless the relevant Departmental DAC or Sub-Prefectoral DAC, 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 Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include, *inter alia*, the following:

(a) the Subproject shall be initiated by a Beneficiary, with or without the assistance of a Technical Support Agency;

(b) the Subproject shall be for any of the types of activities referred to in Part A of the Project; provided that the Subproject shall not be for any of the types of activities indicated in the negative list of activities set forth in the Project Implementation Manual;

(c) the Subproject shall be economically, financially, environmentally, institutionally and technically sound in accordance with the standards specified in the Project Implementation Manual and the Environmental and Social Management Framework;

(d) an analysis of the environmental impacts of the Subproject shall have been undertaken in compliance with the provisions of the Environmental and Social Management Framework, 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 Environmental and Social Management Framework shall have been complied with, all in a manner satisfactory to the Association;

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

(f) the Subproject 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;

(g) the Beneficiary shall provide from 2 to 15 % of the estimated costs of the Subproject in the form of cash, materials, labor or other services, depending on the nature of the Subproject and as specified in the Project Implementation Manual;

(h) no Subproject Grant shall be in excess of thirty two million five hundred thousand CFA Francs (CFAF 32,500,000); and

(i) the Beneficiary shall have established a Subproject Management Committee.

2. Applications for Subproject Grants to finance Subprojects shall be prepared by the Beneficiaries, with or without the assistance of a Technical Support Agency, and submitted to the respective Departmental DAC or Sub-Prefectoral DAC, as the case may be, for its approval. Departmental DACs shall review Subprojects prepared by Beneficiaries which are decentralized local government entities (*communautés rurales* in rural areas and *communes* in urban areas), and Subprojects prepared by Beneficiaries which are community-based organizations located in areas of the Project Area where

there is no Sub-Prefectoral DAC. Sub-Prefectoral DACs shall review Subprojects prepared by Beneficiaries which are community-based organizations.

3. Where the respective Departmental DAC or Sub-Prefectoral DAC, as the case may be, approves an application for a Subproject Grant, the Departmental DAC or Sub-Prefectoral DAC, as the case may be, refers such application for financing to the relevant LPMU.

4. The composition of each Departmental DAC or Sub-Prefectoral DAC and each Subproject Management Committee shall be as indicated in the Project Implementation Manual. The Technical Support Agencies shall meet the criteria specified in the Project Implementation Manual.

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

(a) financing to be on a grant basis;

(b) the obligation to carry out the Subproject in accordance with the Project Implementation Manual and the Environmental and Social Management Framework, 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 Subproject;

(c) where applicable, the obligation to carry out, in a manner satisfactory to the Recipient and the Association, any environmental mitigation measures, compensation and rehabilitation of displaced persons for land acquisition or resettlement in accordance with the provisions of the Environmental and Social Management Framework;

(d) the requirement that : (i) the goods, works, and services to be financed from the proceeds of the Subproject 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 Subproject;

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

(f) the right of the Recipient to obtain all information as the Recipient or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(g) the right of the Recipient to suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Grant for the Subproject 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 Association, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, 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 Subproject 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 Association, 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 Association 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 Association'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 Association, SC, PMU, the LPMUs, CLTO and the three

regional units of CLTO, 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 Association 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 Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means in respect of Special Account A, Category (5) 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), (4) and (6) set forth in said table;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount of CFAF 505,000,000 in respect of Special Account A, and an amount of CFAF 640,000,000 in respect of Special Account B, to be withdrawn from the Grant Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of CFAF 320,000,000 in respect of Special Account B, until: (i) the aggregate amount of withdrawals from the Grant Account allocated to Categories (1), (2), (3), (4) and (6) plus the total amount of all outstanding special commitments entered into by the Association 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 [SDR 3,600,000].

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount or amounts as the Recipient shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the respective Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

7. (a) The Recipient shall withdraw from Special Account A and deposit into each Second Generation Special Account funds to assist each LPMU to pay for Subproject Grants under Part A of the Project. Such withdrawals and deposits shall be in amounts sufficient to assist each LPMU in the manner contemplated in Schedule 1 to this Agreement, to pay for such Subproject Grants in due course, provided that, at no time,

shall the Recipient cause the amount held in any Second Generation Special Account to exceed CFAF 100,000,000.

(b) Any withdrawal from any Second Generation Special Account must be justified to the Recipient by the same documentation and other evidence regarding eligible expenditures required pursuant to paragraph 3 of this Schedule.

(c) If the Association or the Recipient shall have determined at any time that any amount outstanding in any Second Generation Special Account will not be required to cover further payments for eligible expenditures, the relevant LPMU shall, promptly upon notice from the Association or the Recipient, refund to Special Account A such outstanding amount.

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

- (a) The term “Borrower” is modified to read “Recipient”.
- (b) The term “Credit” is modified to read “Grant”.
- (c) The term “Credit Account” is modified to read “Grant Account”.
- (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”

5. Article III is modified as follows:

(a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

(b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 6.02 is modified as follows:

(a) The words “development credit” in Section 6.02(a)(ii) are deleted.

(b) The words “loan or guarantee” in Section 6.02(a)(iii) are deleted.

(c) The words “development credit” and the word “loan”, wherever used in Section 6.02(c), are deleted.

8. Section 8.01(a) is modified to read as follows:

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

9. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) 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 Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Association of their respective obligations under the Development Grant Agreement and the accomplishment of the purposes of the Grant.”

10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”