

**CREDIT NUMBER 3997 GUB**

# **Development Credit Agreement**

**(Coastal and Biodiversity Management Project)**

**Between**

**REPUBLIC OF GUINEA-BISSAU**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 15 , 2004**

**CREDIT NUMBER 3997 GUB**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated December 15, 2004 between REPUBLIC OF GUINEA-BISSAU (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated March 18, 2004, describing a program designed to protect and sustainably manage the Borrower's natural resources, including fisheries (the Program), and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of Part C and a portion of Parts B and D of the Project;

(C) the Borrower has also requested the International Bank for Reconstruction and Development, acting as an Implementing Agency for the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (the GEF Trust Fund) by certain members of the Bank as participants of the GEF, to provide additional assistance towards the financing of Part A and a portion of Parts B and D of the Project, and by an agreement of even date herewith (the GEF Trust Fund Grant Agreement) between the Recipient and the Bank, the Bank is making a grant in an aggregate amount of \$4,800,000 (the GEF Trust Fund Grant);

(D) Part A of the Project will be carried out by the Institute for Biodiversity and Protected Areas (IBAP), an autonomous entity to be established by the Borrower pursuant to Section 6.01 (b) of this Agreement, such Part A to be carried out with the Borrower's assistance and, as part of such assistance, the Borrower, as Recipient of the GEF Trust Fund Grant, will make the proceeds of the GEF Trust Fund Grant provided for in Article II of the GEF Trust Fund Grant Agreement available to IBAP as set forth in the GEF Trust Fund Grant Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower 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 October 6, 1999) (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) “Annual Work Program” means the program referred to in paragraph E.1(b) of Schedule 4 to this Agreement;

(b) “Beneficiary” means a community which is selected on the basis of eligibility criteria defined in the PIP (as hereinafter defined), and referred to in paragraph C of Schedule 4 to this Agreement; and the term Beneficiaries means more than one Beneficiary;

(c) “CIPA” means *Centro de Investigação Pesqueira Aplicada*, the Borrower’s Fisheries Research Institute under the Ministry of Fisheries;

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

(e) “Eligible Categories” means Categories (1) through (4), set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(f) “Environmental and Social Management Framework” or “ESMF” means the framework adopted by the Borrower on January 5, 2004, describing the environmental and social planning, review, approval, mitigation, monitoring, training, technical assistance, and institutional measures under the Project referred to in paragraph D of Schedule 4 to this Agreement;

(g) “FCFA” and “*Franc de la Communauté Financière Africaine*” mean the currency of Borrower;

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

(i) “IBAP” means *Instituto de Biodiversidade e Áreas Protegidas*, the Borrower’s Institute for Biodiversity and Protected Areas;

(j) “IUCN” means The World Conservation Union, an organization established on October 4, 1948 comprising States, government agencies, academia and non-governmental organization;

(k) “IBAP-IUCN Agreement” means the memorandum of understanding referred to in Section 3.03 (b) of this Agreement;

(l) “Micro-project” means a development activity to be carried out by a Beneficiary under Part B.1 of the Project which satisfies the eligibility criteria set out in paragraph B of Schedule 4 to this Agreement and in more details in the PIP (as hereinafter defined);

(m) “Micro-project Agreement” means an agreement to be entered into by a Beneficiary and a the PMU (as hereinafter defined), pursuant to the terms, conditions and procedures set forth in paragraph C of Schedule 4 to this Agreement and in more details in the PIP (as hereinafter defined), for the purpose of carrying out a Micro-project;

(n) “MoA” means the Borrower’s Ministry of Agriculture, Forestry, Hunting and Livestock;

(o) “MoEF” means the Borrower’s Ministry of Economy and Finance;

(p) “Process Framework” or “PF” means the mechanism referred to in paragraph D of Schedule 4 to this Agreement and adopted by the Borrower on March 11, 2004, through which populations living in and around Protected Areas (as hereinafter defined) shall participate in determining the restrictions to access to natural resources, the assessment of the impact of any such restrictions, the determination of remedial measures to redress those impacts on segments of the local population, and the resolution of any grievances, as well as the definition and implementation of a monitoring program to assess the adequacy of any remedial measure;

(q) “Participating Protected Area” means any of the following Protected Areas (as herein defined) of the Borrower: João Vieira and Poilão National Marine Park created pursuant to Decree 6-A/2000 of August 23, 2000, Orango National Park created

pursuant to Decree 11/2000 of November 30, 2000, Cacheu Natural Park created pursuant to Decree 12/2000 of November 30, 2000, Cufada Natural Park created pursuant to Decree 13/2000 of November 30, 2000, and shall include the Cantanhez Protected Area as referred to in Section 3.04 (b) of this Agreement, and the term Participating Protected Areas means more than one Participating Protected Area;

(r) “Procedures Manual” means the manual to be used in the administration, accounting and financial management of the Project, adopted pursuant to Section 6.01 (e) of this Agreement and referred to in paragraph A.2 of Schedule 4 to this Agreement, as such manual may be amended from time to time with the prior agreement of the Association;

(s) “Project Implementation Decree” means the Decree to be issued by the Borrower pursuant Section 6.01 (a) of this Agreement defining the overall institutional framework for the Project;

(t) “Project Implementation Plan” or “PIP” means the plan to be adopted pursuant to Section 6.01 (e) of this Agreement and referred to in paragraph A.2 of Schedule 4 to this Agreement, which shall include the criteria, policies, requirements and procedures for the implementation of the Project, as such plan may be amended from time to time with the prior agreement of the Association;

(u) “Project Management Unit” means the unit referred to in paragraph A.1 (a) of Schedule 4 to this Agreement;

(v) “Project Preparation Advance” means the project preparation advances granted by the Association to the Borrower pursuant to: (i) the letter agreement signed on behalf of the Association and on behalf of the Borrower on June 20, 2003; and (ii) the letter agreement signed on behalf of the Association on May 17, 2004 and on behalf of the Borrower on May 18, 2004;

(w) “Protected Area” means an area of land or sea located in the Borrower’s territory especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, as regulated in the Borrower’s Protected Areas Framework Law (*Lei Quadro das Áreas Protegidas*) pursuant Decree-Law 3/97 of May 22, 1997, and the term Protected Areas means more than one Protected Area;

(x) “Reserved Fishing Zone” means a regulated fishing area limiting the access to and use of its natural resources, which is created within a Protected Area pursuant to the Borrower’s Protected Areas Framework Law, and the term Reserved Fishing Zones means more than one Reserved Fishing Zone;

(y) “Resettlement Policy Framework” or “RPF” means the framework dated March 11, 2004, outlining the modalities for land acquisition, resettlement and rehabilitation under the Project referred to in paragraph D of Schedule 4 to this Agreement; and

(z) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to two million one hundred thousand Special Drawing Rights (SDR 2,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit 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 works, goods and services required for Part C and a portion of Parts B and D of the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 Fund shall thereupon be canceled.

Section 2.03. The Closing Date shall be March 31, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but 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 Borrower from the Credit 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 2.06 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 Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing February 1, 2015 and ending August 1, 2044. Each installment to and including the installment payable on August 1, 2024 shall be one and one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association shall consider the Borrower creditworthy for Association lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall:

- (i) cause IBAP, through the Project Implementation Decree, to carry out Part A of the Project;
- (ii) through MoEF, carry out Parts B.1, B.2, and D of the Project;
- (iii) through its Ministry of Fisheries cause CIPA, pursuant to arrangements acceptable to the Association, to carry out Part B.3 of the Project; and



- (iv) through the Office of the Prime Minister, carry out Part C of the Project,

all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out or cause to be carried out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of the carrying out Part A of the Project, the Borrower, through MoA, shall:

(a) facilitate the transfer of, *inter alia*, the appropriate responsibilities, personnel and resources to IBAP to enable it to carry out its functions, and have free access to the coastal zone data currently managed by MoA's Coastal Planning Unit;

(b) cause IBAP, pursuant to arrangements acceptable to the Association, to enter into an agreement with IUCN (the IBAP-IUCN Agreement), under terms and condition satisfactory to Borrower and the Association, including, *inter alia*, that IUCN shall: (i) facilitate the transfer to IBAP of the management of the Participating Protected Areas, including but not limited to the transfer to IBAP of the field structures, equipment, and documentation currently under the responsibility of IUCN's Protected Areas Nucleus-NAP; (ii) be a member of the Steering Committee; and (iii) facilitate access by IBAP to all relevant biodiversity information, including biodiversity information available from the IUCN networks; and

(c) cause IBAP to exercise its rights under the IBAP-IUCN Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall cause IBAP not to assign,

amend, abrogate or waive the IBAP-IUCN Agreement or any provision thereof.

Section 3.04. The Borrower shall:

(a) By not later than 24 months after the Effective Date, provide to the Association evidence, in form and substance satisfactory to the Association, of the creation of the Formosa Protected Area in the Administrative Region of Bolama e Bijagós, such Protected Area to include a Reserved Fishing Zone.

(b) By not later than 36 months after the Effective Date, provide to the Association evidence, in form and substance satisfactory to the Association, of the creation of the Cantanhez Protected Area in the Administrative Region of Tombali.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower 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 Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for Special Account for each fiscal year audited, in accordance with appropriate auditing

principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year:
  - (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and
  - (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof, and concerning said auditors, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were Report-Based Disbursements or made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) 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 Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such reports or statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs E and F of Schedule 4 to this Agreement, the Borrower shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association a FMR, in form and substance satisfactory to the Association, which:

- (i) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and projected sources and 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 previously forecast and actual implementation targets; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

## **ARTICLE V**

### **Remedies of the Association**

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

(a) an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(b) that the Borrower shall have abrogated or modified the legal status of the Participating Protected Areas, or taken any action, including the enactment

or issuance of laws or regulations, which, in the opinion of the Association, may adversely affect, prevent, or interfere with, the carrying out of the Project or the performance by the Borrower of any of its obligations under this Agreement.

## ARTICLE VI

### Effective Date; Termination

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

(a) the Project Implementation Decree has been issued by the Borrower in form and substance satisfactory to the Association;

(b) the IBAP has been established under terms and conditions satisfactory to the Association, including with the appointment of its President, the Chief Operating Officer, and an accountant, all with qualifications and under terms of reference satisfactory to the Association;

(c) the IBAP-IUCN Agreement has been executed between IBAP and IUCN;

(d) a Joint Ministerial Decision (*Despacho Ministerial Conjunto*) between the Borrower's State Secretary of Natural Resources, Energy and Industry and the MoA has been issued in form and substance satisfactory to the Association transferring the responsibility for managing the Cufada Natural Park to IBAP;

(e) the Borrower has adopted or caused to be adopted a Project Implementation Plan and the Procedures Manual in form and substance satisfactory to the Association;

(f) the Borrower has provided the Annual Work Program for the first year of Project implementation;

(g) the PMU has been established under terms and conditions satisfactory to the Association, as referred to in paragraph A.1 (a) of Schedule 4 to

this Agreement, including with the recruitment of an independent auditor in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(h) the Borrower has adopted a financial management system satisfactory to the Association and retained an accountant, within the PMU, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(i) a fisheries coordinator and an environmental impact assessment coordinator have been recruited by CIPA and the Office of the Prime Minister, respectively, with qualifications and under terms of reference satisfactory to the Association;

(j) the Steering Committee has been established as referred to in paragraph A.1 (b) of Schedule 4 to this Agreement, and its corresponding members appointed, all under terms and conditions satisfactory to the Association; and

(k) all conditions precedent to the effectiveness of the GEF Trust Fund Grant Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

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 Borrower; Addresses**

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as the representative of the Borrower 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 Borrower:

Ministério da Economia e Finanças  
C. P. 67

Bissau  
Guinea-Bissau

Cable address:	Telex:	
Facsimile:		
MEF	257 MEF B1	201626

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUINEA-BISSAU

By /s/ Henrique da Silva  
Authorized Representative

ASSOCIATION INTERNATIONAL DEVELOPMENT

By Mahmood A. Ayub  
Authorized Representative



## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit

#### A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be financed</u>
(1) Goods		100%
(a) For Part B of the Project	300,000	
(b) For Part C of the Project	30,000	
(c) For Part D of the Project	20,000	
(2) Works		100%
For Part B of the Project	80,000	
(3) Consultants' Services and audits (including Training and Workshops)		100%
(a) For Part B of the Project	500,000	
(b) For Part C of the Project	250,000	
(c) For Part D of the Project	270,000	
(4) Incremental Operating Costs		100%
(a) For Part B of the Project	60,000	
(b) For Part C of the Project	50,000	
(c) For Part D of the Project	30,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be financed</u>
(5) Refunding of Project Preparation Advances	268,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(6) Unallocated	242,000	
TOTAL	<u>2,100,000</u> =====	

2. For the purposes of this Schedule, the term “Incremental Operating Costs” means the incremental operating costs arising under the Project on account of maintenance of vehicles, boats, fuel, equipment, office supplies, utilities, consumables, office rent, travel, per diem and allowances, travel and accommodation, and reasonable bank charges related to the operation of the Special Account, but excluding salaries of the Borrower’s civil servants.

3. For purposes of this Agreement, it is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of a decision of the Borrower’s Ministry of Economy and Finance conveyed to the Association through letters dated March 14, 2003 and May 27, 2003, respectively, confirming the exemption of taxes and custom duties levied in the territory of the Borrower on works, goods and services for this Project. In the event of any change which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods costing less than \$150,000 equivalent per contracts; (b) works costing less than \$200,000 equivalent per contract; (c) services of consulting firms costing less than \$100,000 equivalent per contract; (d) services of individual consultants and audits costing less than \$50,000 equivalent per contract; and (e) training, workshops and Incremental Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

6. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association 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 Account

1. The Borrower shall open and maintain in FCFA a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower 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 Borrower 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 Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower 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.

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

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower 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: (i) the records and accounts for the Special Account; or (ii) 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 Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

**Annex A**  
**to**  
**SCHEDULE 1**

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

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of FCFA 156,000,000 equivalent to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 78,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 400,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals, as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by

the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures, as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**  
**to**  
**SCHEDULE 1**

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

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 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 strengthen the Borrower's institutional framework and build human resource capacity to protect and sustainably manage its coastal and biological resources.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### **Part A: Protected Areas and Threatened Species Management**

1. Institutional strengthening of IBAP for the purposes of assisting it in the carrying out of national policies and strategies for biodiversity conservation and Protected Areas management through, *inter alia*, the development of internal administrative and financial operating procedures, the equipping of both IBAP headquarters and Protected Areas, the recruitment of staff, and the provision of training.
2. Carrying out of management activities in the Participating Protected Areas such as demarcation of boundaries, patrolling, maintaining dialogue of resident population through meetings, monitoring the use of natural resources by resident population, and chairing meetings of Participating Protected Areas management committees that includes representatives of communities in a decentralized participatory manner.
3. Preparing and carrying out action plans with the overall purpose of improving the management of the following threatened species: turtles, manatees and primates.
4. Carrying out of technical studies for the purpose of creating the Cantanhez Protected Area.

#### **Part B: Natural Resources Management**

1. Financing of Micro-projects in and around the Participating Protected Areas to assist communities in identifying and implementing small-scale,

biodiversity-friendly activities, such activities to include, *inter alia*: supporting artisanal fisheries, diversification and transformation of agricultural and forest products and promoting renewable energy alternatives.

2. Carrying out of studies for the purpose of promoting the creation of a sustainable private mechanism for financing activities such as those described in Part B.1 above, and for supporting the cost of operating the protected areas system.

3. Carrying out of participatory management and sustainable use of Reserved Fishing Zones and other fishing areas, through activities including, *inter alia*, support of monitoring, control and surveillance of artisanal and industrial fisheries.

Part C: Environmental and Social Safeguard Framework

Development and implementation of an environmental and social safeguard framework through the preparation and adoption of policies and procedures necessary for ensuring that environmental and social concerns are taken into account in the development decision-making process. Specific activities include:

1. Building the Borrower's capacity to evaluate and monitor the environmental and social implications of development proposals, with an emphasis on understanding the potential environmental and social impacts associated with petroleum exploration and fisheries.

2. Supporting the mainstreaming of environmental law through harmonization of the national legislation to meet the Borrower's commitments to biodiversity-related international conventions.

Part D: Project Management and Monitoring and Evaluation

Supporting Project implementation, coordination, financial management, monitoring and evaluation through, *inter alia*, the provision of technical advisory services and training, financing of operating costs, minor rehabilitation works, and the acquisition of equipment and vehicles.

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

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Good and Works

##### Part A: General

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

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost respectively \$150,000 and \$200,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured or assembled in the country and domestic contractors in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$150,000 equivalent per contract, up to the aggregate amount not exceeding \$800,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$200,000 equivalent per contract, up to the aggregate amount indicated not exceeding \$500,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to the aggregate amount not exceeding \$500,000, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN agencies

Goods estimated to cost less than \$50,000 as specified in the Procurement Plan may be procured from UNDP's Inter-Agency Procurement Service Office in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to the aggregate amount not exceeding \$200,000, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) Goods

With respect to each contract estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) Works

With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for financial audit, works supervision and other tasks of standard nature may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

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

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be

furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) Firms

With respect to: (i) each contract estimated to cost the equivalent of \$100,000 or more; and (ii) each contract estimated to cost the equivalent of less than \$100,000 during the first year of Project implementation, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) Individuals

With respect to: (i) each contract estimated to cost the equivalent of \$50,000 or more; and (ii) the first three contracts estimated to cost the equivalent of less than \$50,000, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) Terms of Reference and Short List

The terms of reference and the short list of firms or individuals, as the case may be, shall be furnished to the Association for its prior review and approval in respect of all contracts for services of consulting firms not exceeding \$50,000 services, and in respect of all contracts for services of individual consultants not exceeding \$30,000.

3. Post Review

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



## SCHEDULE 4

### Implementation Schedule

#### A. Overall Project Implementation

##### 1. The Borrower shall:

(a) Establish and thereafter maintain the PMU within MoEF, throughout the period of implementation of the Project, with structure, functions and responsibilities, and with competent staff in adequate numbers and qualifications satisfactory to the Association;

(b) Establish and thereafter maintain the Steering Committee, throughout the period of implementation of the Project, with membership, mandate and procedures satisfactory to the Association for the purposes of, *inter alia*, oversee the overall Project implementation, and provide advice and policy guidance and facilitate coordination among the Borrower's ministries and agencies.

2. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Plan and in the Procedures Manual; and (b) not amend or waive, or permit to be amended or waived, the Project Implementation Plan or in the Procedures Manual, or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.

3. Without limitation upon the other provisions of this Agreement, the Borrower shall carry out the Project in accordance with the relevant Annual Work Program referred to in Part E.1 (b) of this Schedule.

#### B. Eligibility Criteria for Micro-projects and Terms and Conditions for Financing

1. To be eligible for financing, a Micro-project under Part B.1 of the Project shall be:

(a) initiated and identified by the relevant local community as an activity, acceptable to the Association;

(b) appraised and carried out in accordance with the procedures and conditions set forth in the PIP;

(c) economically, environmentally, socially and technically viable in accordance with the standards specified in the PIP;

(d) in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental management; and

(e) satisfy any other requirements of eligibility specified in the PIP.

C. Micro-project Agreements

1. For carrying out Micro-projects under Parts B.1 of the Project, the Borrower shall conclude an agreement with the appropriate representative of each Beneficiary, whereby the Borrower shall agree to provide to each Beneficiary goods, works and/or services, as the case may be, from the proceeds of the Credit, on a non-reimbursable basis, and on terms and conditions satisfactory to the Association (the Micro-project Agreement), including the eligibility criteria set forth in paragraph B of this Schedule and details of disbursement schedules and procurement procedures as set forth in Schedule 3 of this Agreement, details of any further environmental and social safeguards as may be needed, and the following additional terms and conditions:

(a) Require the PMU to ensure the execution of the Micro-projects by the Beneficiaries with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records.

(b) The right of the Borrower to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants included in the relevant Micro-project, the operations thereof and any relevant records and documents.

(c) Obtain from Beneficiary all such information, as the Association shall reasonably request relating to the implementation of a Micro-project, and the performance of the Beneficiary executing the Micro-project.

(d) Suspend or terminate the right of the Beneficiary to benefit from the use of the goods, works or services under the Micro-project upon failure by such Beneficiary to perform its obligations under the Micro-project Agreement.

(e) Promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of any Micro-project under

Part B.1 of the Project, or the performance by the relevant Beneficiary of its obligations under the relevant Micro-project Agreement.

(f) The Borrower shall exercise its rights under the relevant Micro-project Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Micro-project Agreement, or any provision thereof.

(g) The stipulation that in case of conflict between any Micro-project Agreement and this Agreement, the latter shall prevail.

D. Environmental and Social Management Framework (ESMF), Process Framework (PF) and Resettlement Policy Framework (RPF)

1. Except as the Association shall otherwise agree, the Borrower shall:

(a) Carry out or cause the Project to be carried in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the ESMF, the PF and the RPF (including the preparation and implementation of the appropriate action plans for compensation or resettlement, as the case may be, in accordance with the PF and the RPF, said plans to be in form and substance satisfactory to the Association); and

(b) Not amend or waive, or permit to be amended or waived, the ESMF, the PF or the RPF, or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.

2. The Borrower shall ensure that: (a) all measures necessary for the carrying out of the ESMF, the PF and the RPF are taken in a timely manner; and (b) the progress reports referred to in paragraphs E.1(c) and F.2 of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, the PF and the RPF.

3. The Borrower shall:

(a) prior to commencing any Micro-project and when required under the ESMF, carry out an environmental and social impact assessment in form and substance satisfactory to the Association;

(b) in the event that an environmental and social impact assessment of a Micro-project determines that such a Micro-project, if carried out, would have in the

opinion of the Association a potential for adverse environmental impact, not approve such a Micro-project until an appropriate action under the ESMF has been discussed and agreed upon by the Borrower and the Association to mitigate such potential adverse impact; and

(c) thereafter cause the relevant Beneficiary to carry out such agreed mitigation action referred to in sub-paragraph (b) above.

4. Prior to commencing any Micro-project involving involuntary resettlement or involuntary acquisition of land, the Borrower shall cause the relevant Beneficiary to prepare and implement appropriate action plan or plans, as the case maybe, for compensation or resettlement, in accordance with the Resettlement Policy Framework, such action plan or plans to be in form and substance satisfactory to the Association.

E. Monitoring, Annual Work Program and Reporting

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare an annual work program in form and substance satisfactory to the Association (the Annual Work Program), and furnish it to the Association, on or about September 30 of each year, such Program to describe the activities to be carried out and expenditures to be made under the Project for the following calendar year;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph F.1 (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by July of each year, or such later date as the Association shall request, the report referred to in paragraph F.1(c) of this Section, and thereafter act promptly and diligently in order to take, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Borrower and the Association in furtherance of the objectives of the Project.

F. Midterm Review

1. The Borrower shall carry out, jointly with the Association, not later than April 30, 2007, a comprehensive midterm review aimed at: (a) documenting progress toward achieving the Project objectives; (b) identifying and resolving obstacles to Project implementation; (c) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (d) an overall evaluation of the Project against the indicators set forth in Schedule 5 to this Agreement.

2. The Borrower shall not later than four weeks prior to the midterm review referred to in paragraph F.1 above, furnish to the Association a midterm report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the midterm review, the Borrower shall take all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

## **SCHEDULE 5**

### **Performance Indicators**

The performance indicators to be used for Project implementation are as follows:

1. By the end of the Project, at least 3,500 square km of land and water under improved management, as defined in the PIP.
2. As of January 1, 2007, the number of infringements of the applicable regulatory framework related to the Reserved Fishing Zones by fishing vessels decreases by 10% per year in relation to the baseline established in calendar year 2006.
3. As of January 1, 2007, the Borrower provides sufficient financial resources to cover the operational and maintenance costs of all fisheries surveillance activities (including surveillance stations, vessels and patrols).
4. By the end of the Project, all of public and private development projects eligible for review are submitted for environmental impact assessment review prior to being implemented, by the end of the Project.