

CONFORMED COPY

GET GRANT NUMBER 28671 MAI

Global Environment Trust Fund
Grant Agreement

(SADC Lake Malawi/Nyasa Biodiversity Conservation Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Global Environment
Trust Fund

Dated June 8, 1995

GET GRANT NUMBER 28671 MAI

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 8, 1995, between REPUBLIC OF MALAWI (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET) (the Trustee).

WHEREAS: (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established the Global Environment Facility consisting of the GET, Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) certain members of the Bank (the Participants) have provided resources by way of grant into the GET and the Participants have requested and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, provisions of the Resolution;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (e), (f), (g), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Article XII.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
 - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
 - (v) the term "Loan" and "loan" wherever used in the General Conditions, means the GET Grant;
 - (vi) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account; and

- (vii) A new sub-paragraph shall be added after sub-paragraph (j) in Section 6.02 as follows: "An extraordinary situation shall have arisen in which any further disbursement under the GET Grant would exceed the resources available for disbursement from the GET."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (b) "MFNR" means the Recipient's Ministry of Forestry and Natural Resources;
- (c) "Lake" means Lake Malawi/Nyasa;
- (d) "Riparian States" means the States of Malawi, Tanzania and Mozambique;
- (e) "UNDP" means the United Nations Development Programme;
- (f) "SADC" means the Southern African Development Community; and
- (g) "Project Implementation Plan" means a comprehensive implementation plan, satisfactory to the Trustee, which shall be prepared by the Recipient prior to the Effective Date.

ARTICLE II

The GET Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to three million five hundred thousand Special Drawing Rights (SDR 3,500,000).

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

(b) The Recipient shall, for the purposes of the Project, open and maintain in U.S. Dollars a special deposit account (the Special Account) in a commercial bank on terms and conditions satisfactory to the Trustee, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be July 31, 1999 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) carry out Parts A (1-4), B, C and D of the Project through MFNR; and (ii) cause UNDP to carry out Parts A (5)(a) and A (5)(b) of the Project, with due diligence and efficiency and in conformity with appropriate administrative and financial practices and with due regard to ecological, biodiversity and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Recipient shall make available to UNDP a portion of the proceeds of the GET Grant for the carrying out of Part A (5) of the Project.

(c) Without any limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Trustee shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program

set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Trustee 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 GET Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall, not later than twenty-four months after the Effective Date, conduct jointly with the Trustee and the Riparian States, a midterm review of the Project. Without limitation upon the generality of the foregoing, the review shall cover, inter alia: (i) the draft biodiversity map and management plan and its policy, legal and financial implications; and (ii) the implementation and management aspects of the Project, implementation procedures, progress made by the Project, the status and results of training, reporting, accounting and audit performance, disbursement procedures and the overall sustainability of the Project.

(b) Not later than ninety (90) days prior to the midterm review referred to in (a) above, the Recipient shall furnish to the Trustee, for its comments, a report in such detail as the Trustee shall reasonably request, including an evaluation of the progress achieved in implementing the Project.

(c) The Recipient shall, promptly thereafter, carry out the recommendations resulting from the aforementioned review.

Section 3.04. The Recipient shall, not later than forty-two months after the Effective Date, submit to the Trustee and SADC a time-bound proposal, satisfactory to the Trustee, for the implementation of the biodiversity map and management plan for the Lake to be prepared in accordance with Part D(2) of the Project.

Section 3.05. Without limitation upon the provisions of Article IX of the General Conditions, the Recipient shall:

(a) prepare and furnish to the Trustee not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Trustee, a plan, of such scope and in such detail as the Trustee shall reasonably request, for the future operation of the Project;

(b) afford the Trustee a reasonable opportunity to exchange views with the Recipient on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Trustee's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures: (i) of the departments or agencies of the Recipient responsible for carrying out Parts A (1-4), B, C and D(1) and (2) of the Project; and (ii) of UNDP in respect of Part A (5) of the Project.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;

(ii) furnish to the Trustee as soon as available, but in any case not later than nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and

(iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Trustee has received the audit report for the fiscal year in which the last withdrawal from the GET Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the Recipient shall have failed to carry out the Project in accordance with the Project Implementation Plan.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GET Grant Agreement:

- (a) the Steering Committee has been duly established pursuant to paragraph 1 of Schedule 4 to this Agreement;
- (b) the Project Manager and Financial Controller have been appointed pursuant to paragraph 3 of Schedule 4 to this Agreement; and
- (c) the Recipient has finalized the Project Implementation Plan.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GET Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Recipient's Minister of Finance 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 Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Cable address:

FINANCE
Malawi

Telex:

44407 MI

For the Trustee:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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 MALAWI

By /s/ Aleke K. Banda

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT as Trustee of
the Global Environment Trust Fund

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

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

| Category | Amount of the GET Grant Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|---|---|--|
| (1) Works: | | 100% |
| (a) under Part A.5 (a) of the Project | 138,000 | |
| (b) under Part A.5 | 138,000 | |

| | | | |
|-----|--|-----------|------|
| | (b) of the Project | | |
| | (c) other | 118,000 | |
| (2) | Equipment | 47,000 | 100% |
| (3) | Vehicles and boats | 67,000 | 100% |
| (4) | Consultants' services and technical assistance | 2,100,000 | 100% |
| (5) | Training | 112,000 | 100% |
| (6) | Incremental Operating Costs | 780,000 | 100% |
| | TOTAL | 3,500,000 | |

2. For the purposes of this Schedule the term "incremental operating costs" means expenditures incurred for office rental, administration, operating and supply costs, salaries and wages of Senga Bay site security workers, research vessel crew, drivers and mechanics; local travel and subsistence costs; vehicle, boat, equipment and research vessel operating and maintenance costs; and site running and investment costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding SDR 50,000 may be made in respect of Categories (4) and (6) on account of payments made for expenditures before that date but after September 1, 1994.

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

5. The Trustee may require withdrawals from the GET Grant Account to be made on the basis of statements of expenditure: (a) for expenditures for goods, works and services under consulting firms' contracts not exceeding \$100,000 equivalent; and (b) for expenditures for services under consultant contracts with individuals not exceeding \$50,000 equivalent, under such terms and conditions as the Trustee shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Riparian States in creating the scientific, educational and policy basis for conserving the biological diversity of the Lake and its unique ecosystem.

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

Part A: Research

1. Carrying out biodiversity surveys to inventory fish species and distribution, identify critical habitats to identify biodiversity hotspots in the Lake, produce a preparatory map of critical habitats and identify threats to the Lake's biodiversity.
2. Research on taxonomy, ecology and distribution of the cichlid species.
3. Carrying out a limnology and water quality monitoring program to identify pollution threats to hotspots and fish replenishment areas.
4. Rehabilitation of the Recipient's Cape Maclear research station.

5. Rehabilitation of: (a) Kyela Centre Fisheries Research Station in Tanzania, and (b) Metangula Fisheries Research Station in Mozambique.

Part B: Strengthening National Capacity

1. Enhancement of the capacity of the Riparian States through the provision of on-the-job training and technical assistance in the areas of ecology, taxonomy, limnology and environmental education.
2. Promoting public awareness of community activities' implications on the ecosystem of the Lake through the preparation and dissemination of management and conservation messages concerning the Lake's resources.
3. Development of community awareness programs including media productions.
4. Establishment of twinning arrangements with scientific and management institutions involved in environmental cooperation and biodiversity.
5. Rehabilitation of the Environmental Education Facility at Lake Malawi National Park.

Part C: Strengthening Environmental Legislation

Review and evaluation of the compatibility of the existing legislation of the Riparian States for the management of the Lake's biodiversity.

Part D: Protected Areas Management

1. Preparation of a strategic plan for the sustainable development of Nankumba Peninsula and Lake Malawi National Park and identifying community roles in the management and conservation of the Park.
2. Preparation of a biodiversity map and management plan for the Lake including identification of potential protected areas and parks.

* * *

The Project is expected to be completed by January 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines) and in accordance with the following additional procedures.

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1(a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Bank with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Recipient shall use bidding documents based on other internationally

recognized standard forms agreed with the Trustee.

2. To the extent practicable, contracts for scientific and office equipment, including computers and printers shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

3. Goods procured under ICB will not be subject to price verification under preshipment inspection.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Malawi may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. (a) Civil works up to an aggregate amount not to exceed the equivalent of \$600,000; and (b) goods up to an aggregate amount not to exceed the equivalent of \$166,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Trustee.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines in accordance with procedures acceptable to the Trustee.

Part D: Review by the Trustee of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of (a) \$100,000 or more for civil works, and (b) \$50,000 for goods, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Trustee pursuant to said paragraph 2 (d) shall be furnished to the Trustee prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Trustee pursuant to said paragraph 3 shall be furnished to the Trustee as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the GET Grant Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Recipient in carrying out Parts A (1-4), B, C and D of the Project, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis of the "Guidelines for the Use of Consultants by World Bank Recipients and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of

the Consultant Guidelines requiring prior Trustee review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Trustee review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Trustee, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. MFNR shall be responsible for the overall implementation of the Project. MFNR shall be assisted by a steering committee (The Steering Committee) to be chaired by the Principal Secretary of MFNR, which shall comprise of (a) members from relevant institutions of the Riparian States with expertise in natural resources management, environmental and international law, (b) experts with international expertise, as needed, in the technical disciplines of the Project and (c) representatives of selected non-governmental organizations and academic institutions with a particular stake in the Lake environment.

2. The Steering Committee shall meet at least three times a year to review progress in the implementation of the Project and shall provide strategic guidance to the overall management of the Project. It shall, inter alia, review and approve annual work plans, periodic progress reports, results of completed studies, recommendations made by consultants, assist in the organization of the midterm review, and review and approve the biodiversity map and management plan for the Lake.

3. (a) A Project Manager reporting to the Principal Secretary of MFNR, assisted by a financial controller and support staff, shall be responsible for the day-to-day management of the Project consistent with the Project Implementation Plan, and under the overall supervision of the Steering Committee.

(b) The Recipient shall take all measures necessary to deploy duly qualified staff in the required numbers for the implementation of the Project in accordance with the Implementation Plan.

(c) The Project Manager shall prepare an annual work plan and budget allocations for all Project components, maintain a data base on all Project-related activities, and prepare and furnish to the Steering Committee consolidated quarterly progress reports on all components of the Project, including an analysis of any delays in implementation and proposed corrective measures.

(d) The Project Manager shall furnish through the Principal Secretary of MFNR to the Trustee (i) copies of quarterly progress reports within thirty days after the end of the reporting period, and (ii) with effect from the second year of Project implementation, draft annual work plans within ninety days prior to the beginning of the year covered in the plan.

Part A of the Project

4. The Recipient shall submit for the purposes of Parts A.1, 2 and 3, by no later than eighteen months after the Effective Date, an interim report on biodiversity conservation priorities for the Lake; a draft species identification manual; and an interim report on water quality/pollution in the Lake. The Recipient shall submit such reports and identification manual to the Trustee and the Riparian States. After receiving the Trustee and Riparian States' comments and review, the Project Manager shall prepare, by no later than 30 months after the Effective Date a final draft report on biodiversity conservation priorities for the Lake, and a final draft report on water quality/pollution in the Lake. Based on copies of such reports and the species identification manual, the Project Manager shall coordinate the preparation of the biodiversity map and management plan for the Lake.

The Recipient shall take all measures necessary, and shall carry out the civil works and renovation required for the rehabilitation of the Cape Maclear research station for the purposes of Part A.4.

5. The Recipient shall obtain appropriate assurances from the other Riparian States that (a) the Rehabilitation of Kyela Centre Fisheries Research Station in Tanzania and Metangula Fisheries Research Station in Mozambique under Part A.5 shall be implemented by UNDP, and (b) UNDP shall prepare and furnish to the Project Manager periodic progress reports on the implementation of Part A.5 of the Project.

Part B of the Project

6. In order to enhance the Riparian States' capacity to manage the Lake, the Recipient shall: (a) pursue appropriate measures to ensure that suitable counterpart staff to be trained in fish ecology, taxonomy and limnology are designated by the relevant agencies in the Riparian States; and (b) prepare and furnish to the Trustee annual training programs satisfactory to the Trustee.

7. The Recipient shall carry out Conservation Awareness Programs in respect of the conservation of the biodiversity of the Lake which shall take into account the critical hot-spots of biological resources.

Part C of the Project

8. The Recipient shall take all measures necessary to ensure that a harmonized environmental policy framework for the Lake, which will be discussed during the Project's midterm review, is prepared for the management and conservation of the Lake and its resources.

Part D of the Project

9. The Recipient shall cause its Ministry of Physical Planning and Surveys, in close consultation with the Project Manager and its Department of National Parks and Wildlife, to carry out a study on the Nankumba Peninsula with the assistance of a duly qualified consulting firm and local experts, and in collaboration with counterpart staff drawn from the Recipient's agencies involved in the preparation of its national environmental action plan. The study will draw up a strategic plan for the development of the Nankumba Peninsula, to ensure that the eventual development of the Peninsula is sustainable and will preserve the integrity of Lake Malawi National Park and surrounding ecosystems.

10. The strategic plan relating to Nankumba Peninsula and its surrounding islands shall be submitted to the Trustee for its review and comments within twelve months from the Effective Date. The Recipient shall ensure that all development activities on the Peninsula and its surrounding islands shall always be consistent with the strategic plan.

11. (a) The Recipient shall take all measures necessary to develop by no later than 24 months after the Effective Date, a draft biodiversity map and management plan for the Lake which shall, inter alia, (i) recommend specific follow-up conservation actions and investments; (ii) identify a system of protected areas that will be representative of the biological hotspots of the Lake, and complementary to Lake Malawi National Park; and (iii) provide the framework for follow-up national, and potentially international action programs to manage the Lake on an environmentally sound and sustainable basis.

(b) The Recipient shall furnish the draft biodiversity map and management plan to the Trustee and the Riparian States promptly for review.

(c) The Project Manager shall take all measures, necessary to coordinate the preparation of a final draft biodiversity map and management plan incorporating the results of the Trustee's and Riparian States' midterm review and comments in a manner satisfactory to the Trustee, by not later than thirty-six months after the Effective Date.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for Parts A (1-4), B, C and D of

the Project and to be financed out of the proceeds of the GET Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$300,000 to be withdrawn from the GET Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Trustee shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$150,000 until the aggregate amount of withdrawals from the Get Grant Account plus the total amount of all outstanding special commitments entered into by the Recipient pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

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

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

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

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Trustee requests for deposits into the Special Account at such intervals as the Trustee shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Trustee from the GET Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into the Special Account:

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

(b) if the Recipient shall have failed to furnish to the Trustee, 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 Trustee pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Trustee 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 GET Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GET Grant allocated to the eligible Categories for Parts A (1-4), B, C and D of the Project, less the amount of any outstanding special commitment entered into by the Trustee pursuant to Section

5.02 of the General Conditions with respect to Parts A (1-4), B, C and D of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the eligible Categories for Parts A (1-4), B, C and D of the Project shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

