

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER 050707-NA

Global Environment Facility Trust Fund Grant Agreement

Namibian Coast Conservation and Management Project

between

REPUBLIC OF NAMIBIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated October 17, 2005

GEF TRUST FUND GRANT NUMBER 050707-NA

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated October 17, 2005, between the REPUBLIC OF NAMIBIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

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

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; and

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

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;

- (iv) Sections 4.01 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04; and
 - (x) Article XI;
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
 - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
 - (vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”;
 - (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “Beneficiary” means an Executing Entity (as hereinafter defined), which has met the eligibility criteria specified in the Project Implementation Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended, a Matching Grant (as hereinafter defined) for the carrying out of a Micro-project (as hereinafter defined); and “Beneficiaries” means each such Beneficiary collectively;

(b) “Eligible Categories” means Categories (1 – 5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(d) “EMP” means the Recipient’s Environmental Management Plan for the Project dated February 9, 2005, and referred to in Section II (2) of Schedule 4 to this Agreement, containing the set of mitigation, enhancement, monitoring, and institutional measures that have been identified by the Recipient to eliminate any adverse environmental and social impacts related to Project activities, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(e) “Executing Entity” means any of the following: (i) a line ministry, that is, MET, MFMR, MAWF, MME, MWTC, MRLGHRD (as hereinafter defined), including a regional office of any of these ministries; (ii) regional councils of Kunene, Erongo, Hardap and Karas; (iii) local authorities of Swakopmund, Walvis Bay, Henties Bay and Lüderitz;; and (iv) non-governmental organizations, community-based organizations and other private sector entities established and operating under the laws of the Recipient; and “Executing Entities” means each such Executing Entity collectively;

(f) “Fiscal Year” means the Recipient’s fiscal year commencing on April 1 and ending on March 31 in the following year;

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

(h) “ICZM” means the Integrated Coastal Zone Management;

(i) “ICZMC” means the Recipient’s Integrated Coastal Zone Management Committee referred to in Section I (3)(a) of Schedule 4 to this Agreement;

(j) “Matching Grant” means the matching grant to be provided for Micro-Projects under Part C.2 of the Project;

(k) "Matching Grant Agreement" means the matching grant agreement referred to in Section III (2) of Schedule 4 to this Agreement;

(l) "MAWF" means the Recipient's Ministry of Agriculture, Water and Forestry;

(m) "MET" means the Recipient's Ministry of Environment and Tourism;

(n) "MFMR" means the Recipient's Ministry of Fisheries and Marine Resources;

(o) "Micro-Project" means a micro-project designed, prepared and carried out under Part C.2 of the Project;

(p) "MLR" means the Recipient's Ministry of Lands and Resettlement;

(q) "MME" means the Recipient's Ministry of Mines and Energy;

(r) "MRLGHRD" means the Recipient's Ministry of Regional and Local Government and Housing and Rural Development;

(s) "MWTC" means the Recipient's Ministry of Works, Transport and Communication;

(t) "Namibia Dollar" or "N\$" means Recipient's currency;

(u) "NPC" means the Recipient's National Planning Commission;

(v) "PCO" means the Project Coordination Office referred to in Section 1 (2) of Schedule 4 to this Agreement;

(w) "PCP" means the Recipient's Participation and Communication Plan dated March 2005 and referred to in Section II (3) of Schedule 4 to this Agreement;

(x) "PIM" means the Recipient's Project Implementation Manual referred to in Section II (1) of Schedule 4 to this agreement, and such term includes any schedules to the Project Implementation Manual;

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

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

(aa) “SC” means the Project Steering Committee referred to in Section I (1) of Schedule 4 to this Agreement;

(bb) “SG” means the Scientific Group referred to in Section I (3) (b) of Schedule 4 to this Agreement; and

(cc) “Special Account” means the account referred to in Part A.5 of Schedule 1 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to four million nine hundred thousand Dollars (US\$4,900,000).

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

Section 2.03. The Closing Date shall be April 30, 2011 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

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

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

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

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

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

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

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

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

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section IV of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

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

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

ARTICLE V

Effectiveness; Termination

Section 5.01. This Agreement shall become effective upon its execution by the parties.

Section 5.02. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Director General of the National Planning Commission of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

National Planning Commission
Government Office Park
Luther Street
Private Bag 13356
Windhoek
Namibia

Facsimile: (264) 61-236794

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

Facsimile:

(202) 477-6391

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

REPUBLIC OF NAMIBIA

By /s/ Helmut Angula

Authorized Representative

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

By /s/ Ritva Reinikka

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

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

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>US\$ Equivalent</u>)	% of Expenditures to be <u>Financed</u>
(1) Goods	530,000	100 % of foreign expenditures and 85 % of local expenditures
(2) Consultants' Services (including audit)	1,260,000	75 %
(3) Matching Grants	700,000	100 % of amounts disbursed
(4) Training	660,000	100 %
(5) Operating costs	1,270,000	85 %
(6) Unallocated	480,000	
TOTAL	<u>4,900,000</u> =====	

2. For the purposes of this Schedule:

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

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

(c) the term "Operating Costs" means the incremental operating costs arising under the Project on account of contractual staff salaries, social benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; utilities and communications expenses; banking charges and insurance; but excluding the salaries of staff of the Recipient's civil service.

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

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding US\$245,000, may be made on account of payments made for expenditures before that date but after July 1, 2005; and

(b) expenditures under Category (3) of the table set forth under paragraph 1 of this Schedule 1, for any Matching Grant, unless such Matching Grant has been made in accordance with the provisions set forth in Section III of Schedule 4 to this Agreement and with the PIM and the EMP, and a Matching Grant Agreement, on the terms and conditions specified in Section III of Schedule 4 to this Agreement and in the PIM and the EMP, has been duly executed by and is binding on the parties thereto, and has become effective;

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than US\$100,000 equivalent per contract; (b) services of individual consultants costing less than US\$50,000 equivalent per contract; and (c) services of consulting firms under contracts costing less than US\$100,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

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

B. Special Account

1. The Recipient may open and maintain in N\$ a special deposit account in a commercial Bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

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

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

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

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

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

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

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

(c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

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

(b) If the Bank 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 Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

Annex A

to

SCHEDULE 1

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

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to N\$3,500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to N\$2,000,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of US\$1,000,000.

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 Recipient shall furnish to the Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that

the Bank shall have been satisfied that all such amounts remaining on deposit in the Special 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 GEF Trust Fund Grant Account shall be deposited by the Bank 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 Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient to conserve, use sustainably and mainstream the biodiversity of the Namibian Coast.

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

Part A: Legal, Institutional, Policy and Planning Framework for Integrated Coastal Zone Management

1. Supporting the revision of legal and policy framework for ICZM, through the provision of technical advisory services, workshops and training, incremental operating costs and goods.
2. Enhancement of institutional shift to decentralization of MET's environmental functions as well as harmonizing and clarifying mandates and roles of key institutions in coastal zone development, through the provision of technical advisory services and workshops and training.
3. Development of a coastal zone policy framework through a collaborative coastal zone vision and national coastal management white paper for integrated planning and decision-making, through the provision of technical advisory services, goods and workshops and training.
4. Setting up and operationalizing a national coastal management mechanism and development and implementation of a financial sustainability strategy for ICZM related actions, through the provision of technical advisory services and workshops and training.

Part B: Targeted Capacity-Building for Integrated Coastal Zone Management

1. Strengthening the planning, decision-making and monitoring capacity of MME, MET, MFMR, MRLGHRD, MWTC, MAWF, ICZMC members, coastal regional councils and coastal local authorities related to sustainable coastal development based on ICZM principles, through the provision of technical advisory services, workshops and training, goods and incremental operating costs.
2. Development and implementation of a national coastal zone biodiversity monitoring and evaluation mechanism, through the provision of technical advisory services and workshops and training.
3. Development and implementation of a coastal communication and knowledge management system to support ICZM and mainstreaming of coastal and marine biodiversity into development planning and management, through the provision of technical advisory services, workshops and training and goods.

Part C: Targeted Investments in Critical Ecosystems for Biodiversity Conservation and Sustainable Use

1. Development and up-dating of management plans for priority coastal and marine sites thereby increasing network of conservation areas under effective management, through the provision of technical advisory services, workshops and training, incremental operating costs and goods.
2. Implementation of management plans through targeted activities related to biodiversity conservation and to sustainable use activities linking conservation and sustainable use with local and regional development objectives and economic benefits, all through the provision of technical advisory services, incremental operating costs and Matching Grants.

Part D: Project Coordination and Reporting

Supporting the efforts of the Recipient, in particular the MET, the MRLGHRD and the four coastal regional councils, to achieve the Project objectives and results through:

1. Establishment and maintenance of a dedicated project coordination office (PCO) to coordinate and support Project implementation, through the provision of technical advisory services, goods, incremental operating costs, workshops and training and operational support.
2. Documentation of Project performance and impact through the provision of technical advisory services.

* * *

The Project is expected to be completed by October 31, 2010

SCHEDULE 3

Procurement

Section I. General

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

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

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

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than US\$100,000 equivalent per contract and works estimated to cost less than US\$150,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

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

3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Goods estimated to cost less than US\$100,000 equivalent per contract may be procured directly from the Inter-Agency Procurement Services Office of the United Nations (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US\$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

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

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

I. Institutional Arrangements

1. Overall Project Coordination

The Recipient shall establish and maintain, until the completion of the Project, a Project Steering Committee (SC), in form and with membership, functions, staffing and resources satisfactory to the Bank, with the responsibility to provide policy guidance, overall coordination and supervision of the Project. The SC shall comprise: (a) nominees of permanent secretaries from MET (chair), MRLGHRD (deputy-chair), MFMR, MME, MAWF, MWTC and NPC; (b) nominees of regional governors of Kunene, Erongo, Hardap and Karas; (c) a PCO representative.

2. Project Administration and Management

The Recipient shall establish and thereafter maintain at all times during the implementation of the Project, a Project Coordination Office (PCO) to support the Recipient with coordination of implementation of the Project. The PCO shall have staff with qualifications, experience and terms of reference satisfactory to the Bank, and shall have responsibility for day to day Project management and coordination as well as Project monitoring, auditing and reporting, including the preparation of the annual work plans, budgeting and finance, management of technical assistance activities, preparation of a Project completion report. The PCO shall comprise a project coordinator; an administrative assistant; an environmental advisor; a procurement/accountant officer and a part-time monitoring and evaluation specialist.

3. Project Advisory and Support

(a) The Recipient shall maintain the Integrated Coastal Zone Management Committee (ICZMC). The ICZMC shall advise the Steering Committee and PCO on all aspects of Project implementation. The Recipient confirms its intention that the ICZMC shall be composed of: (i) regional councils of Kunene, Erongo, Hardap and Karas; (ii) coastal focal points from MET, MRLGHRD, MFMR, MME, MAWF, MWTC; (iii) coastal local authority representatives from Swakopmund, Walvis Bay, Henties Bay and Luderitz; (iv) non-institutional stakeholders including non-governmental organizations, community-based organizations and the private sector; and (v) co-opted entities.

(b) The Recipient shall constitute the Scientific Group (SG) whose members shall include scientists from relevant ministries of the Recipient's government, Namibian Long-term Ecological Research (NaLTER), the National Museum of Namibia (NMN), the National Botanical Research Institute (NBRI), the Desert Research Foundation in Namibia (DRFN), the Gobabeb Training and Research Centre (GTRC), the University of Namibia (UNAM) and the National Marine Information and Research Centre (NatMIRC). The SG shall be responsible for, *inter alia*, (i) providing scientific input as requested by SC, ICZMC or PCO; (ii) assisting the PCO in screening prospective investments for Project funding under Part C.2 of Schedule 2 to this Agreement; (iii) developing indicators for a coastal zone management monitoring and

evaluation mechanism; and (iv) contributing to targeted capacity building efforts under Part B of Schedule 2 to this Agreement.

II. Project Implementation Arrangements

1. Project Implementation Manual (PIM)

(a) The Recipient shall carry out the Project in accordance with the arrangements and procedures set out in the PIM and, except as the Bank shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of the Project.

(b) Without limitation upon the provisions of Paragraph 1(a) of this Section, the PIM shall include regulations pertaining to: (i) Project monitoring and evaluation; (ii) procurement; (iii) financial management; (iv) Matching Grants eligibility criteria and procedures; and (v) such administrative, financial, technical and organizational arrangements as may be required for the Project.

2. Environmental Management Plan

(a) The Recipient shall take all actions which shall be required under the EMP, and shall ensure that the EMP is formulated and implemented with full participation of all stakeholders including local communities, and in compliance with the applicable legislation of the Recipient.

(b) The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the EMP.

3. Participation and Communication Plan

(a) The Recipient shall carry out the Project in accordance with the PCP and, except as the Bank shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of the Project.

(b) Without limitation to the foregoing, for the purpose of implementing the PCP the Recipient shall, *inter alia*:

(i) ensure the establishment of local consultative fora in towns, villages and settlements in the area covered by the Project to facilitate, *inter alia*, local consultation and participation on the coastal vision and national ICZM policy.

(ii) put in place mechanism for redress of grievances by individual persons or groups whose interests may be affected by the implementation of the Project through restriction on access to an area or resources.

(iii) commit to alternative dispute resolution, on terms of reference acceptable to the Bank, to facilitate amicable resolution of a dispute between the PCO and a person or group dissatisfied with the handling of their grievances by the PCO.

III. Procedures and Eligibility Criteria for Matching Grants

1. Procedures for the Provision of Matching Grants

(a) The Recipient shall carry out Part C.2 of the Project in accordance with procedures set out in the PIM in form and substance satisfactory to the Bank and, except as the Bank shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of Part C.2 of the Project.

(b) The PIM shall, *inter alia*: (i) set out eligibility criteria and terms and conditions, satisfactory to the Bank, for the provision to Beneficiaries of Matching Grants; and (ii) procedures and guidelines, satisfactory to the Bank, applicable to the carrying out of Part C.2 of the Project.

2. Terms and Conditions of Matching Grant Agreements

The Recipient, through the PCO, shall enter into a Matching Grant Agreement satisfactory to the Bank with each Beneficiary. The terms and conditions of a Matching Grant Agreement shall *inter alia* provide that:

(a) the Beneficiary (i) carries out the Micro-Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Micro-Project;

(b) the goods, works and services to be financed from the proceeds of the Matching Grant shall (i) be procured in accordance with procedures ensuring efficiency and economy; and (ii) be used exclusively in the carrying out of the Micro-Project; and

(c) the Recipient shall have the right to:

(i) inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, plants and construction included in the Micro-Project, the operations thereof and any relevant records and documents;

(ii) obtain such information as the Recipient or the Bank shall reasonably request; regarding the administration, operation and financial conditions of the Beneficiary; and

(iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant upon the failure by the Beneficiary to perform any of its obligations under the Matching Grant Agreement.

IV. Monitoring, Evaluation and Reporting

1. The Recipient shall 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;

2. Semi Annual Reviews

The Recipient shall:

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

(b) review with the Bank, no later than one month after the date of such report, the report referred to in the sub- paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

3. Midterm Review

(a) The Recipient shall not later than 36 months after the Effective Date, carry out jointly with the Bank a midterm review, which shall cover among other things:

(i) progress in meeting the Project's objective; and

(ii) overall performance as measured against the performance indicators referred to in Schedule 5.

(b) The Recipient shall 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 Recipient and the Bank in furtherance of the objective of the Project.

SCHEDULE 5

Performance Indicators

For the purposes of this Agreement, the Recipient agrees that Project performance will be measured semi-annually against the following performance indicators for which baselines will be established prior to Effective Date, unless otherwise agreed by the Bank.

1. Increase in km² and number of terrestrial and marine ecosystems of biodiversity importance under effective management by year 5 compared to baseline situation.
2. Increase in the number of people engaged in sustainable use activities and the proportion of their incomes derived from these activities by year 5 compared to baseline situation.
3. Coastal biodiversity related aspects better incorporated into planning, policy institutions and investments at national, regional and local level by year 5 compared to baseline situation.