

Public Disclosure Authorized

CONFORMED COPY

IDA GRANT NUMBER H191 - SL

# Development Grant Agreement

(Infrastructure Development Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 22 , 2005

Public Disclosure Authorized

**IDA GRANT NUMBER H191 - SL**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated December 22, 2005, between the REPUBLIC of SIERRA LEONE (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received a letter from the Recipient, dated July 18, 2005 (the Policy Letter), describing a program of actions, objectives and policies designed to improve the development and management of the Recipient's road and Freetown port and airport infrastructure (the Program) and declaring the Recipient's commitment to the execution of the Program;

(C) Part A of the Project will be carried out by the Sierra Leone Roads Authority (SLRA) with the Recipient's assistance and, as part of such assistance, the Recipient will make available part of the proceeds of the Grant provided for in Article II of this Agreement to SLRA, as set forth in this Agreement;

(D) Part B of the Project will be carried out by the Sierra Leone Ports Authority (SLPA) with the Recipient's assistance and, as part of such assistance, the Recipient will make available part of the proceeds of the Grant provided for in Article II of this Agreement to SLPA, as set forth in this Agreement;

(E) Part C of the Project will be carried out by the Sierra Leone Airports Authority (SLAA) with the Recipient's assistance and, as part of such assistance, the Recipient will make available part of the proceeds of the Grant provided for in Article II of this Agreement to SLAA, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the agreements of even date herewith between the Association and SLRA (the SLRA Project Agreement), between the Association and SLPA (the SLPA Project Agreement), and between the Association and SLAA (the SLAA Project Agreement);

NOW THEREFORE, the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 7 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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) “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected;

(b) “Contractors’ EMPs” means the environmental management plans referred to in Section II 2(b) of Schedule 4 to this Agreement;

(c) “Coordination and Monitoring Unit” or “CMU” means the unit maintained within Recipient’s Vice President’s Office, responsible for the Project’s coordination, monitoring, and reporting;

(d) “EMPs” means the SLRA EMP, the SLPA EMP and the SLAA EMP (all as hereinafter defined);

(e) “ESMF” means the Environmental and Social Management Framework of the Recipient dated April 2005, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for environmental screening and procedures for the preparation and

implementation of environmental assessments and management plans under Part A.2 of the Project pursuant to Section II (2) of Schedule 4 to this Agreement;

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

(g) “Fiscal Year” means the Recipient’s fiscal year beginning January 1 and ending December 31 of the same year;

(h) “Initial Deposit” means the deposit referred to in Section 3.03 (b) of this Agreement;

(i) “Leones” means the currency of the Recipient;

(j) “MOTC” means the Recipient’s Ministry of Transport and Communications;

(k) “MSU” means the Mechanical Services Unit of SLRA;

(l) “NCP” means the Recipient’s National Commission for Privatization, established and operating pursuant to the laws of the Recipient;

(m) “Procurement Plan” means the Recipient’s procurement plan, dated May 24, 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;

(n) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(o) “Project Agreements” means the SLAA Project Agreement, the SLPA Project Agreement and the SLRA Project Agreement (all as hereinafter defined);

(p) “Project Implementation Manual” or “PIM” means the manual referred to in Section II. 1 of Schedule 4 to this Agreement, as the said plan may be amended from time to time in agreement with the Association, and such term includes any schedules to the said plan;

(q) “Project Preparation Advance” or “PPF” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on April 6, 2005 and on behalf of the Recipient on April 19, 2005;

(r) “Resettlement Action Plan” or “RAP” means the plan referred to in Section II (1) (a) and 2 (a) of Schedule 4 to this Agreement; and “RAPs” means, collectively, each such RAP;

(s) “RPF” means the Resettlement Policy Framework of the Recipient dated April 2005, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for resettlement and compensation of Affected Persons under Part A.2 of the Project and referred to in Section II of Schedule 4 to this Agreement;

(t) “SLAA” means the Sierra Leone Airports Authority established and operating under the Sierra Leone Airports Authority Act, 1988 of the Recipient, as amended to the date of this Agreement;

(u) “SLAA EMP” means the Environmental Management Plan of the Recipient dated July 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the implementation of any construction, rehabilitation and maintenance activities under Part C of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the SLAA EMP;

(v) “SLAA Project Agreement” means the agreement between the Association and SLAA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SLAA Project Agreement;

(w) “SLAA Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and SLAA pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SLAA Subsidiary Loan Agreement;

(x) "SLPA" means the Sierra Leone Ports Authority established and operating under the Sierra Leone Ports Act, 1964 of the Recipient, as amended to the date of this Agreement;

(y) "SLPA EMP" means the Environmental Management Plan of the Recipient dated January 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the implementation of any construction, rehabilitation and maintenance activities under Part B of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the SLPA EMP;

(z) "SLPA Project Agreement" means the agreement between the Association and SLPA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SLPA Project Agreement;

(aa) "SLPA Reorganization Action Plan" means the Action Plan for the Privatization of the Core Activities of the Sierra Leone Port Authority, dated May 26, 2005;

(bb) "SLPA Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and SLPA pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SLPA Subsidiary Loan Agreement;

(cc) "SLRA" means the Sierra Leone Roads Authority established and operating under the Sierra Leone Roads Authority Act, 1992, of the Recipient, as amended to the date of this Agreement;

(dd) "SLRA EMP" means the Environmental Management Plan of the Recipient dated March 2005, as the said plan may be amended and/or supplemented from time to time with the prior concurrence of the Association, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the implementation of any construction, rehabilitation and maintenance activities under Part A of the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the SLRA EMP;

(ee) “SLRA Project Agreement” means the agreement between the Association and SLRA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SLRA Project Agreement;

(ff) “SLRA Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and SLRA pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SLRA Subsidiary Loan Agreement;

(gg) “SLRTA” means the Sierra Leone Road Transport Authority, established and operating pursuant to the laws of the Recipient;

(hh) “Special Account” means the account referred to in Section 2.02(b) of this Agreement; and

(ii) “Subsidiary Grant Agreements” means the SLAA Subsidiary Grant Agreement, the SLPA Subsidiary Grant Agreement and the SLRA Subsidiary Grant Agreement.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty million and four hundred thousand Special Drawing Rights (SDR 30, 400, 000).

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

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or

attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

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

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, 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 Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency 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. Commitment charges shall be payable semiannually on June 15 and December 15 in each year.

### **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 administrative, financial, engineering, managerial, resettlement, social and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) Without limitation upon any of its obligations under this Agreement, the Recipient shall: (i) cause SLRA, SLPA and SLAA to: (A) carry out, respectively, Parts A, B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, managerial, resettlement, social and environmental practices, and (B) perform, in accordance with the provisions of the Project Agreements, all the obligations of SLRA, SLPA and SLAA therein set forth; (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable SLRA, SLPA and SLAA to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(d) For the purposes of carrying out Parts A, B and C of the Project, the Recipient shall make available to, respectively: (i) SLRA the proceeds of the Grant allocated from time to time to Categories 1(a), 2(a) and 3(a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement; (ii) SLPA the proceeds of the Grant allocated from time to time to Categories 1(b), 2(b) and 3(b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement; and (iii) SLAA the proceeds of the Grant allocated from time to time to Categories 1(c), 2(c) and 3(c) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, all in accordance with the Subsidiary Grant Agreements to be entered into between the Recipient and SLRA, SLPA and SLAA, under terms and conditions which shall have been approved by the Association.

(e) The Recipient shall exercise its rights under the Subsidiary Grant Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and, except as the Association

shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreements or any provision thereof.

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

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

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) maintain in Leones, until the completion of the Project, a Project Account in a commercial bank acceptable to the Association, under terms and conditions satisfactory to the Association;

(b) promptly make an Initial Deposit into the Project Account in an amount of not less than the Leones equivalent of \$90,000 to finance the Recipient's initial contribution to the expenditures under the Project;

(c) thereafter, deposit into the Project Account on a quarterly basis such amounts as are estimated to be required at any given time for the ensuing three-month period and as shall be agreed upon between the Recipient and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance the Recipient's contribution to the expenditures under the Project which are not otherwise financed from the proceeds of the Grant.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later

date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

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

Section 3.05. The Recipient and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A, B and C of the Project shall be carried out by, respectively, SLRA, SLPA and SLAA pursuant to Section 2.03 of the Project Agreements.

#### **ARTICLE IV**

##### **Financial Covenants**

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

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such

statements by said auditors, in scope and detail satisfactory to the Association; and

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

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

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

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Schedule 4 to this agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first 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 (1) of the General Conditions, the following additional events are specified:

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

(b) SLRA, SLPA or SLAA, as the case may be, shall have failed to perform any of their respective obligations under the Project Agreements;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that SLRA, SLPA or SLAA, as the case may be, will be able to perform their respective obligations under the Project Agreements;

(d) any of the acts governing the status and operations of SLRA, SLPA or SLAA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SLRA, SLPA or SLAA, as the case may be, to perform any of their obligations under the Project Agreements; and

(e) the Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SLRA, SLPA or SLAA.

## ARTICLE VI

### Effectiveness; Termination

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

(a) the Subsidiary Grant Agreements have been executed on behalf of the Recipient and, respectively, SLRA, SLPA, and SLAA;

(b) the Project Account has been opened and credited with the Initial Deposit of Leones equivalent of \$90,000;

(c) the Recipient has established a financial management system for the Project satisfactory to the Association, including the appointment of a suitably qualified professional accountant to the CMU;

(d) the Recipient has prepared and furnished to the Association the Project Implementation Manual, in form and substance satisfactory to the Association; and

(e) the Recipient has raised the fuel levy to not less than \$0.08 per liter by March 2006; with provisions in place for maintaining the fuel levy rate and for subsequent increases to \$0.10 per liter by June 30, 2007.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreements have been duly authorized or ratified by the Recipient and, respectively, SLRA, SLPA, and SLAA, and are legally binding upon the Recipient and, respectively, SLRA, SLPA and SLAA in accordance with their terms; and

(b) that the Subsidiary Grant Agreements have been duly authorized or ratified by the Recipient and, respectively, SLRA, SLPA and SLAA and are legally binding upon the Recipient and, respectively, SLRA, SLPA and SLAA in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Recipient; Addresses**

Section 7.01. The Minister of the Recipient responsible for 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:

The Minister of Finance  
Ministry of Finance  
Ministerial Building  
George Street  
Freetown  
Sierra Leone

Telephone: 232-76-611872  
Facsimile 232-22-225826

For the Association:

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

Cable address: INDEVAS  
Washington, D.C.

Telex: 248423 (MCI)  
64145 (MCI)

Facsimile: (202) 477-6391

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

REPUBLIC OF SIERRA LEONE

By /s/ Ibrahim Kamara

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mahmood Ayub

Authorized Representative



**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		
(a) SLRA	12,300,000	95%
(b) SLPA	2,700,000	80%
(c) SLAA	3,550,000	90%
(2) Goods		
(a) SLRA	0.00	95%
(b) SLPA	430,000	80%
(c) SLAA	1,500,000	90%
(d) CMU	60,000	100%
(3) Consultant services, including audits		100%
(a) SLRA	1,600,000	
(b) SLPA	650,000	

Amount of the

<u>Category</u>	<u>Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(c) SLAA	450,000	
(d) CMU	2,100,000	
(4) Training	650,000	100%
(5) Operating Costs		100%
CMU	270,000	
(6) Refunding of Project Preparation Advance	1,250,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,890,000	
TOTAL	<u>30,400,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “operating costs” means the incremental expenses incurred by the Recipient on account of Project implementation, management and monitoring, including, inter alia, printing, utilities, maintenance of office equipment, office rental and travel, but excluding salaries of civil servants; and

(b) the term “training” means all costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

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.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$20,000 equivalent per contract; (b) works costing less than \$50,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract, (e) training; and (f) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

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

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to rehabilitate selected priority roads and port and airport facilities of the Recipient, and to support the regulatory and institutional reform and effective management of the Recipient's road, port and airport sectors.

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

#### Part A: Road Infrastructure Development and Management

1. Core Road Network Rehabilitation

Rehabilitation of the Bo-Kenema road (approximately 69 km) and the Makeni-Matotoka road (approximately 37 km) of the Recipient's core road network, including implementation of the SLRA EMP.

2. Rural and Feeder Roads Infrastructure Rehabilitation

Rehabilitation of approximately 400 km of selected feeder roads and infrastructure in the districts of Kailahun, Kono and Koinadugu, and other districts to be determined by the Recipient acceptable to the Association, including implementation of the ESMF, RPF and RAPs.

3. Road Sector Management Support and Reform

Provision of technical advisory services and training for the reform of the road sector, including (a) establishment of an independent road maintenance fund and related reorganization of SLRA and revision of the regulatory framework; (b) support to the SLRA Feeder Roads Department for the effective management of rural and feeder roads; (c) optimization of revenue collection functions of SLRTA; and (d) privatization of MSU as a commercial entity.

Part B: SLPA Reorganization and Freetown Port Infrastructure Development

1. SLPA Reorganization

Provision of technical advisory services and training to NCP and SLPA for the restructuring of SLPA as a landlord port and the outsourcing to the private sector of all cargo handling operations and services in accordance with the SLPA Reorganization Action Plan, including the carrying out of an independent environmental audit and development of an environmental monitoring program.

2. Freetown Port Infrastructure and Equipment

Rehabilitation of the Freetown Port, including: (a) expansion of the container paved stacking area; (b) completion of the rehabilitation of outstanding berths; (c) carrying out of maintenance dredging and installation of new fenders and other facilities along all berths; (d) provision of navigational aids to improve safety of navigation; (e) provision of specialized equipment to meet internationally recognized environmental standards; and (f) other targeted and limited infrastructure and equipment improvements, necessary to achieve and maintain safety at the port in accordance with internationally recognized standards, including the implementation of the SLPA EMP.

Part C: Freetown International Airport Rehabilitation and Airport Management Support

1. Airport Rehabilitation

Rehabilitation and strengthening of the Freetown International Airport runway, including upgrading the turning loops and taxiway accesses and installation and upgrading of the water and electricity supplies, and replacement of automatic landing and ground/air communication systems, including implementation of the SLAA EMP.

2. Master Plan

Updating of the master plan for the development of a new international airport.

3. Airport Management Support

Provision of technical advisory services and training to SLAA for improved user relations, efficiency and competitiveness.

Part D: Project Coordination

Support to CMU, SLRA, SLPA, and SLAA for the coordination, financial management, procurement, environmental and social management, quality assurance, technical audit and monitoring and evaluation of the Project.

\*\*\*

The Project is expected to be completed by March 31, 2011.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

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

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

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

##### Section II. Particular Methods of Procurement of 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 \$150,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

2. Shopping. Goods estimated to cost less than \$20,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

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

### 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 \$100,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association 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. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments which the Association 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.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 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.



5. 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 Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. 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 subject to prior review by the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods, works and services (other than consultants' services) procured on the basis of International Competitive Bidding, the first contract procured on the basis of National Competitive Bidding, or Direct Contracting; and (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, with respect of each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 4**

### **Implementation Program**

#### Section I. Institutional Arrangements

##### 1. Coordination and Monitoring Unit

The Recipient shall maintain within the Vice President's Office, at all times during the implementation of the Project, the Coordination and Monitoring Unit, with functions, staffing and resources satisfactory to the Association, which shall be responsible for the overall coordination, monitoring and evaluation of the Project, and for building the capacity of MOTC, SLRA, SLPA, SLAA and other agencies involved in the implementation of the Project.

##### 1. Implementing Agencies

###### (a) Sierra Leone Roads Authority

(i) The Recipient shall implement Part A of the Project through SLRA and maintain SLRA with staffing and resources satisfactory to the Association.

(ii) Without limitation to the foregoing, SLRA shall be responsible for the programming, design, review and implementation of road development and maintenance works under Part A of the Project.

(iii) The Recipient shall: (A) cap SLRA and SLRTA charges against the road maintenance fund at the June 2005 level; and (B) progressively reduce the SLRA and SLRTA charges over the life of the Project to 15% of the road maintenance fund.

(iv) The Recipient shall cause SLRA to pay equipment rental charges to MSU throughout the implementation of the Project.

(v) The Recipient shall raise the fuel levy to \$0.08 per liter by March, 2006 with provision in place for maintenance of the fuel levy rate and for subsequent increases to \$0.10 per liter by June 30, 2007, with further increases to \$0.12 by the end of the Project.

(vi) The Recipient shall reorganize SLRA in a manner satisfactory to the Association including: (A) establishment of an independent road maintenance fund and board not later than December 31, 2007, with the board mandated to commit the road maintenance funds only to prioritized programmed routine and periodic maintenance of the core road network; (B) privatization of MSU as a commercial entity not later than December 31, 2008; and (C) provision of settlement of all SLRA equipment rental arrears due to MSU over the next five years.

(b) Sierra Leone Ports Authority and National Commission for Privatization

(i) The Recipient shall implement Part B of the Project through SLPA and maintain SLPA with staffing and resources satisfactory to the Association, including the establishment of an environmental unit by June 1, 2006.

(ii) Without limitation to the foregoing, SLPA shall be responsible for the programming, design, review and implementation of port development and maintenance works under Part B of the Project; and NCP shall be responsible for the institutional reform and restructuring activities under Part B of the Project.

(iii) The Recipient shall cause SLPA/NCP to carry out institutional reorganization in a manner satisfactory to the Association, including: (A) restructuring SLPA as a landlord port; and (B) concessioning of all container handling operations and services, together with the licensing of all cargo handling and services.

(iv) The Recipient shall ensure that, prior to any concessioning and/or licensing of SLPA container and cargo handling services, arrangements agreed with SLPA employees and satisfactory to the Association are in place for the payment of all severance payments due to retrenched SLPA employees in accordance with a timetable acceptable to the Association.

(c) Sierra Leone Airports Authority

(i) The Recipient shall implement Part C of the Project through SLAA and maintain SLAA with staffing and resources satisfactory to the Association.

(ii) Without limitation to the foregoing, SLAA shall be responsible for the programming, design, review and implementation of airport development and management support works under Part C of the Project.

## Section II. Implementation Arrangements

### 1. Project Implementation Manual

(a) The Recipient shall adopt a Project Implementation Manual in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) day-to-day implementation and institutional coordination of the Project; (ii) procurement arrangements and procedures; (iii) disbursement and financial management arrangements and procedures; (iv) arrangements and procedures for the implementation and monitoring of the EMPs and Contractors' EMPs, ESMF, RPF and, where applicable, details of RAPs as they become available; and (v) performance indicators, monitoring, reporting and evaluation; and such other administrative, accounting and financial procedures as shall be required for the Project.

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

### 2. Environmental and Social Management

(a) The Recipient shall carry out or cause Part A of the Project to be carried out in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the SLRA EMP, ESMF and RPF and, wherever applicable, prepare and implement Resettlement Action Plans in accordance with the RPF and in form and substance acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAPs.

(b) The Recipient shall: (A) carry out or cause Part B of the Project to be carried out in accordance with the environmental and social guidelines, rules and procedures defined in the SLPA EMP; (B) carry out or cause to be carried out an independent environmental audit to establish baseline environmental conditions and working practices at Freetown Port, the environmental liabilities of the Recipient and the private contractor/operator, and the safety, health and environmental management requirements to be included in the Contractors' EMPs; and (C) cause the Freetown port

contractors to develop environmental management plans based on the SLPA EMP, in a manner and in form and substance satisfactory to the Association, and shall cause the said contractors to implement all Freetown port construction, operational, maintenance and managerial activities in accordance with the environmental, health, safety and social guidelines, measures and procedures specified in the Contractors' EMPs, and all environmental and social safeguard obligations undertaken by the said contractors pursuant to the contractual agreements entered into between the Recipient and the said contractors.

(c) The Recipient shall carry out or cause Part C of the Project to be carried out in accordance with the environmental and social guidelines, rules and procedures defined in the SLAA EMP.

(d) The Recipient shall ensure that environmental and social advisers with qualifications, experience and terms of reference that are satisfactory to the Association are maintained within CMU, SLRA, SLPA and SLAA, until the completion of the Project, to provide advice on environmental and social issues that arise during Project implementation and to ensure that the Project is implemented in accordance with the provisions of the EMPs, ESMF, RPF and RAPs.

(e) The Recipient shall not amend or waive, or permit to be waived, the EMPs, ESMF, RPF and RAPs, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

(f) The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the EMPs, ESMF, RPF and RAPs are taken in a timely manner; and (ii) the progress reports referred to in paragraph 1 (b) of Section III of this Schedule shall include adequate information on monitoring the measures defined in the EMPs, ESMF, RPF and RAPs.

### Section III. Monitoring, Evaluation and Reporting Arrangements

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this agreement and in more detail in the PIM, the carrying out of the Project and the achievement of the objectives thereof;

(b) appoint independent auditors with qualifications, experience and terms of reference that are satisfactory to the Association by not later than May, 2006 to carry out annual financial and technical audits, and furnish to the Association a copy of each audit for review and comment;

(c) prepare, or cause to be prepared, under terms of reference satisfactory to the Association, and furnish to the Association, not later than 45 days after the end of the reporting period, quarterly and annual reports integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above 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;

(d) review with the Association, within 10 working days of receipt of any reports, or such later date as the Association shall request, the reports referred to in subparagraph (c) above, and thereafter act promptly and diligently in order to take, or cause to be taken, 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 Association in furtherance of the objectives of the Project;

(e) on or about July 15, 2008, submit to the Association a midterm report on the progress of the Project up to June 30, 2008 in such details as the Association shall reasonably request, and no later than one month thereafter undertake in conjunction with the Association and other stakeholders and interested parties, a midterm review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, and the performance by the Recipient of its obligations under this Agreement, having regard to the performance indications referred to in subparagraph (a) above; and

(f) following the (annual and midterm) reviews, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Recipient and the Association in furtherance of the objectives of the Project.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1 through 5 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 and services required for the Project and to be financed out of the proceeds of the Grant allocated from, time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$3,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Grant 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 5,000,000.

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 Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence

required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the 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 Association from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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



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

6. (a) If the Association shall have determined at any time that any payment out of 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 Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

## **SCHEDULE 6**

### **Performance Indicators**

For purposes of this Agreement, the Recipient agrees that unless otherwise agreed by the Association, Project performance shall be measured by the indicators below as of the Closing Date of the Project:

**Road Network**

- (a) Reduction in travel time on project roads;
- (b) Increase in usage of the project roads;
- (c) Average distance traveled increases;
- (d) Number of person-days of employment generated by project road construction and maintenance; and
- (e) Prioritized programmed maintenance is established and progressively increased.

**Port of Freetown**

- (a) Improved performance on handling port containers;
- (b) Increase in port break-bulk ships daily handling performance;
- (c) Mandatory environmental and safety measures as agreed under the International Convention for Prevention of Maritime Pollution, are addressed;
- (d) Increase in financial surplus for SLPA after depreciation and financial charges and before tax; and
- (e) Significant reduction in number of staff.

**Freetown International Airport**

- (a) Airport complies with ICAO mandatory standards.
- (b) Minimization of safety risks associated with the physical infrastructure.
- (c) Reduction in recurrent maintenance cost of physical infrastructure.



## SCHEDULE 7

### Modifications to the General Conditions

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

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
  - (a) The term “Borrower” is modified to read “Recipient”.
  - (b) The term “Credit” is modified to read “Grant”.
  - (c) The term “Credit Account” is modified to read “Grant Account”.
  - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

*“Section 1.01. Application of General Conditions*

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:

- (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
  - (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.
6. Article IV is modified as follows:
- (a) Section 4.02(a) is modified to read as follows:

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

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
  - (b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.
  - (c) Section 4.03 is modified to read as follows:

*“Section 4.03. Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”
  - (d) Section 4.06(b) is modified to read as follows:

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

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:

- (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
- (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

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

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

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

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