

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF050973

ARTF Grant Agreement

(National Emergency Employment Program – Phase I)

between

TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(Acting as Administrator of the Afghanistan Reconstruction Trust Fund)

Dated March 14, 2003

GRANT NUMBER TF050973

ARTF GRANT AGREEMENT

AGREEMENT dated March 14, 2003, between TRANSITIONAL ISLAMIC STATE OF AFGHANISTAN (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the “Administrator”) of grant funds (the “Grant Funds”) contributed by various donors (collectively the “Donors”) to the Afghanistan Reconstruction Trust Fund (“ARTF”).

WHEREAS (A) the Donors have agreed to provide the Grant Funds to the Recipient in support of its reconstruction program;

(B) the Donors have requested the Administrator, and the Administrator has agreed, to administer the Grant Funds;

(C) the Administrator has established ARTF for purposes of receiving and administering the Grant Funds; and

(D) the Grant Funds shall finance, inter alia, investment and/or sector programs and activities as shall from time to time be recommended by the Minister of Finance of the Recipient and approved by the Management Committee of ARTF;

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 Development Credit Agreements” of the Administrator, dated January 1, 1985 (as amended through October 6, 1999), 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) Article II;
- (iii) Section 3.01;
- (iv) Sections 4.01, 4.02, 4.05 and 4.06;
- (v) Article V;

- (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
 - (vii) Article VIII;
 - (viii) Article IX;
 - (ix) Article X; and
 - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (ii) the term “Development Credit Agreement”, wherever used in the General Conditions, means this ARTF Grant Agreement;
 - (iii) the term “Credit” and “credit”, wherever used in the General Conditions, means the Grant; and
 - (iv) the term “Credit Account”, wherever used in the General Conditions, means the Grant Account.

Section 1.02. Whenever used in this Agreement, unless the context otherwise requires, the several terms defined in the preamble to this Agreement shall have the respective meanings therein set forth, and the following terms shall have the following meanings:

- (a) “Beneficiary” means a village or neighborhood community or group which meets the criteria specified in the Project Implementation Manual for the making of a Sub-grant (as this term is hereinafter defined), and to which, or for whose benefit, a Sub-grant is made or proposed to be made;
- (b) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement; and
- (c) “Framework” means the Recipient’s Environmental and Social Safeguards Framework which sets out, *inter alia*: (i) key policy principles for social and environmental management; (ii) measures to guide the screening of Sub-projects (as this term is hereinafter defined) for significant social and environmental impacts, and to assist in the mitigation of such impacts; (iii) procedures to ensure that these principles and measures are appropriately

applied; and (iv) guidelines for capacity building and monitoring, as may be amended from time to time by agreement of the Recipient and the Administrator;

(d) “Implementation Manual” means the manual referred to in paragraph 1.02 (j) of the Development Grant Agreement dated June 8, 2002, as amended, between the Recipient and the Administrator for the Emergency Community Empowerment and Public Works Project (H009-AF);

(e) “Mines” means landmines, and this term shall include explosive items such as bombs, booby traps, munitions and unexploded ordnance of any kind;

(f) “MIWRE” means the Ministry of Irrigation, Water Resources and Environment of the Recipient;

(g) “MPW” means the Ministry of Public Works of the Recipient;

(h) “MRRD” means the Ministry of Rural Rehabilitation and Development of the Recipient;

(i) “NGOs” means non-governmental organizations;

(j) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

(k) “Sub-grant” means a grant made under Part A.1 (a) or Part A.1 (b) of the Project for the carrying out of a Sub-project (as this term is hereinafter defined);

(l) “Sub-grant Agreement” means the agreement referred to under paragraph B.2 of Schedule 4 to this Agreement; and

(m) “Sub-project” means a project or activity to be carried out under Part A.1 (a) or Part A.1 (b) of the Project, having met the eligibility criteria set out in the Implementation Manual and the provisions of paragraph B.1 of Schedule 4 to this Agreement.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, the Grant in an amount in various currencies equivalent to twenty-five million four hundred twenty thousand Dollars (\$25,420,000).

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: (i) for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or, if the Administrator shall so agree, to be paid) by MPW and MIWRE on account of Sub-grants in respect of which withdrawal from the Grant Account is requested.

(b) The Recipient may, for purposes of the Grant, open and maintain in Dollars a special deposit account in a bank on terms and conditions satisfactory to the Administrator. Deposits into and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2004, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.04. Disbursement from the proceeds of the Grant (including deposits into the Special Account) shall be made only to the extent that resources adequate to meet such disbursement shall have been transferred from the Donors to ARTF.

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 and technical 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 Administrator shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, and with the environmental, social and other principles, measures, procedures and guidelines set out in the Framework.

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

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

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan designed to ensure the continued achievement of the Project's objectives; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain, or cause to be maintained, a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Administrator, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall: (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year, audited, in accordance with auditing standards acceptable to the Administrator, consistently applied, by independent auditors acceptable to the Administrator; (ii) furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and (iii) furnish to the Administrator such other information concerning said records and accounts, and the audit thereof, as the Administrator shall 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) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures; (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Administrator's representatives to examine such records; and (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph C (ii) of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Administrator a Financial Monitoring Report, in form and substance satisfactory to the Administrator, 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 Project implementation;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (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 signature thereof by the parties hereto.

Section 5.02. This Agreement shall continue in effect until the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representatives

Section 6.01. The Minister of Finance of the Recipient shall be the 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:

Minister of Finance
Kabul, Transitional Islamic State of Afghanistan

For the Administrator:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

MCI 248423
MCI 64145

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

TRANSITIONAL ISLAMIC STATE OF
AFGHANISTAN

By /s/ Ashraf Ghani

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Afghanistan Reconstruction
Trust Fund)

By /s/ William Byrd

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 U. S. Dollars Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-grants:		
(a) Part A.1 (a) of the Project	17,600,000	100%
(b) Part A.1 (b) of the Project	3,000,000	100%
(2) Goods:		
(a) Part A.1 (a) of the Project	1,294,000	100%
(b) Part A.1 (b) of the Project	77,000	100%
(3) Consultants' services and training:		
(a) Part A.1 (a) of the Project	2,316,000	100%
(b) Part A.1 (b) of the Project	232,800	100%
(4) Operating Costs:		
(a) Part A.1 (a) of the Project	736,200	100%
(b) Part A.1 (b) of the Project	164,000	100%
TOTAL	<u>25,420,000</u>	

2. For the purposes of this Schedule, the term "Operating Costs" means the incremental expenses incurred by MPW, MIWRE and MRRD on account of Project implementation and management, specifically, the rental of office space, the operation

and maintenance of vehicles, communications, utility charges, domestic travel and per diem, but excluding salaries of officials 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 expenditures prior to the date of this Agreement.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$100,000 equivalent each; (ii) services under contracts costing less than \$100,000 equivalent for consulting firms and \$50,000 equivalent for individual consultants; (iii) Operating Costs; (iv) training; and (v) Sub-grants, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in providing employment in rural areas at a minimum wage, as a safety net, to as many people and in as short a time as may be feasible.

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

Part A: Labor-Intensive Public Works

1. The making of Sub-grants to Beneficiaries for the carrying out of Sub-projects in: (a) the road sector; and (b) the irrigation sector.

2. The utilization of the services of: (a) a team of management experts to assist in the commencement of start-up activities under the Sub-projects and their overall management; and (b) a core team of locally recruited road and irrigation engineers in each of the Recipient's provinces to assist with: (i) the design of and costing of Sub-project proposals; (ii) the provision of technical support to villagers and small contractors carrying out the Sub-projects; (iii) the supervision of works; (iv) the making of payments under the Sub-projects; and (v) the management and control of expenditures under the Sub-projects.

* * *

The Project is expected to be completed by March 31, 2004.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. International or National Shopping

Goods estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Procurement from UN Agencies

Goods estimated to cost less than \$100,000 equivalent per contract may be procured in accordance with the provisions of 3.9 of the Guidelines.

3. Direct Contracting

Goods estimated to cost less than \$50,000 equivalent per contract may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation under Sub-projects

Works under Sub-projects under Parts A.1 (a) and A.1 (b) of the Project estimated to cost the equivalent of \$200,000 per contract, up to an aggregate amount not exceeding \$20,600,000 equivalent, may be carried out directly by the community or be procured through either of the following methods and in accordance with paragraph 3.15 of the Guidelines: (a) direct contracting of all or part of the works to NGOs, community organizations, and qualified domestic contractors and/or suppliers; or (b) obtaining quotations from qualified domestic contractors with respect to all or part of the works.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, other than contracts referred to under paragraph 2 (b) below, each contract for goods and/or works under a Sub-project estimated to cost the equivalent of \$100,000 or more, and the first three (3) contracts for works under a Sub-project, regardless of the contract's value, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with the provisions of Part C.1 of this Section I and estimated to cost the equivalent of \$100,000 or more, and each contract for goods to be procured in accordance with the provisions of Part C.2 or Part C.3 of this Section I, regardless of the contract's value, the following procedures shall apply:

- (i) prior to the execution of any contract under shopping procedures, the Recipient shall provide to the Administrator a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, direct contracting or from a UN Agency, the Recipient shall provide to the Administrator a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for the Project, estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services costing less than \$1,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services costing less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Single Source Selection

Services costing less than \$100,000 equivalent per contract may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

A. Project Implementation and Coordination

1. (a) The Recipient shall maintain the Implementation Manual in form and substance satisfactory to the Administrator, such manual to set out details of all procedures, guidelines, timetables and criteria required for the Project, including the financial, administrative and operational arrangements relating to the carrying out of the Project. Without limitation to the generality of the foregoing, the Implementation Manual shall contain a requirement that a Sub-grant shall be made only when the province, in whose territorial jurisdiction the Sub-project for which the Sub-grant is proposed to be made shall take place, has employed a qualified individual, under terms of reference acceptable to the Administrator, to assist in the disbursement and financial management aspects of the Project.

(b) The Recipient shall vest the responsibility for: (i) carrying out Parts A.1 (a) and A.2 of the Project in MPW, with assistance from MRRD, and Part A.1 (b) of the Project in MIWRE; and (ii) coordinating the implementation of the Project in MRRD, and shall carry out the Project in accordance with the Project Implementation Manual. Except as the Administrator shall otherwise agree, the Recipient shall not amend or waive any provision of the Implementation Manual if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

B. Sub-projects

1. (a) To be eligible for a Sub-grant, a Beneficiary must furnish a Sub-project proposal to the Recipient that fully satisfies the criteria specified in the Project Implementation Manual for Sub-grant financing.

(b) In the evaluation of each Sub-project proposal, consideration shall be given to the Beneficiary's capacity to carry out, manage and maintain the Sub-project in conformity with appropriate administrative, financial, technical, environmental and managerial standards.

2. The Recipient, through MPW and MIWRE, shall make appropriate amounts of the proceeds of the Grant available, as a Sub-grant, to a Beneficiary under a Sub-grant Agreement to be entered into by the Beneficiary and MPW or MIWRE, as the case may be, all under terms and conditions which shall have been approved by the Administrator. The Recipient shall ensure that a minimum of twenty five percent (25%) of the Grant proceeds allocated from time to time to Category (1) (a) shall

finance Sub-projects on tertiary roads. The Sub-grant Agreement shall provide for rights adequate to protect the interests of the Administrator and the Recipient, including to the extent that it shall be appropriate the right to:

- (i) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in accordance with sound administrative, financial, technical and managerial standards, and maintain adequate records for the Sub-project concerned;
- (ii) require that all goods, works and services required for the Sub-project shall be procured in accordance with the provisions of Schedule 3 to this Agreement;
- (iii) require that such goods and services shall be used exclusively in the carrying out of the Sub-project;
- (iv) inspect, by itself or jointly with representatives of the Administrator if the Administrator shall so request, any goods, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents; and
- (v) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-grant upon the failure by the Beneficiary to perform any of its obligations under the Sub-grant Agreement.

C. Reports and Reviews

The Recipient shall:

- (i) 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, the carrying out of the Project and the achievement of the objectives thereof;
- (ii) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator: (a) on a quarterly basis, commencing July 1, 2003, a report on the progress achieved in the implementation of the Project and the achievement of the objectives thereof; and (b) on or about November 30, 2003, a report, to constitute the basis upon which the mid-term review shall take place, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (i) of this Section and consolidating the results of the reports referred to under sub-paragraph (ii) (a) 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

(iii) review with the Administrator, by December 31, 2003, or such later date as the Administrator shall request, the report referred to in subparagraph (ii) (b) of this paragraph, 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 Administrator's views on the matter.

D. Clearance of Mines

The Recipient shall undertake not to lay new Mines in any part of the Recipient's country so as to adversely affect, or in any way undermine, the implementation of the Project, or of any Sub-project, and the achievement of the objectives thereof.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (1) (b), (2) (a), (2) (b), (3) (a), (3) (b), (4) (a) and (4) (b) set forth in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant allocated 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 two million five hundred thousand Dollars (\$2,500,000) to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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 Administrator 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 Administrator from the Grant Account under the eligible Categories, and in the equivalent amount, 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator 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; or

(b) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator 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 Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator)

an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator 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

1. Sub-grant Agreements for Sub-projects costing an amount equivalent to twenty-five percent (25%) of the amount allocated from time to time to Categories (1) (a) and (1) (b) have been signed by MPW or MIWRE, as the case may be, and Beneficiaries within three (3) months of the date of signature of this Agreement by the parties hereto.
2. Sub-grant Agreements for Sub-projects costing an amount equivalent to one hundred percent (100%) of the amount allocated from time to time to Categories (1) (a) and (1) (b) have been signed by MPW or MIWRE, as the case may be, and Beneficiaries within nine (9) months of the date of signature of this Agreement by the parties hereto.
3. Three million (3,000,000) person-days of labor have been performed under Sub-projects within six (6) months of the date of signature of this Agreement by the parties hereto.
4. Five million (5,000,000) person-days of labor have been performed under Sub-projects within nine (9) months of the date of signature of this Agreement by the parties hereto.
5. Five thousand (5,000) kilometers of roads have been repaired under Sub-projects by the completion of the Project.
6. Seven hundred fifty thousand (750,000) disabled person-days of targeted employment have been performed by the completion of the Project.