

Public Disclosure Authorized

CONFIRMED COPY

IDA GRANT NUMBER H143-0-HA

Development Grant Agreement

(Emergency Recovery and Disaster Management Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Public Disclosure Authorized

Dated January 6, 2005

IDA GRANT NUMBER H143-0-HA

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated January 6, 2005, between the REPUBLIC OF HAITI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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;

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;

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 4 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) "Beneficiary" means rural community groups, local civil protection committees and associations that meet the criteria set forth in the Operational Manual (as hereinafter defined) as beneficiaries of Subprojects (as hereinafter defined) under Part C of the Project;

(b) "Cooperation Agreement" means an agreement, satisfactory to the Association, to be entered into between PL480 (as hereinafter defined) and an NGO (as hereinafter defined), which agreement shall stipulate, *inter alia*: (i) PL480's obligation to make part of the proceeds of the Grant available to said NGO (as hereinafter defined) for purposes of carrying out a Subproject (as hereinafter defined); and (ii) the roles, responsibilities and obligations of each NGO (as hereinafter defined) with respect to the

implementation of a Subproject (as hereinafter defined), and “Cooperation Agreements” means the plural thereof;

(c) “DPC” means *Direction de la Protection Civile*, the Recipient’s Directorate of Civil Protection;

(d) “Eligible Categories” means Categories (1) through (9) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(f) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(g) “Implementation Agreement” means the agreement referred to in Section 3.02 (a) of this Agreement;

(h) “NGO” means a non governmental organization operating in the territory of the Recipient;

(i) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.04 (a) of this Agreement;

(j) “PCU” means any of the Project coordination units (the DPC PCU and the PL480 PCU) referred to in Section 3.05 of this Agreement, “PCUs” means collectively the DPC PCU and the PL480 PCU;

(k) “Performance Indicators” means the indicators, set forth in the Operational Manual, for monitoring and evaluating progress towards the attainment of Project objectives;

(l) “PL480” means *Bureau de Gestion du Programme d’Alimentation pour le Développement PL480/Titre III* an autonomous agency of the Recipient created pursuant to Presidential Decree published in the official gazette (*Le Moniteur*) on January 9, 1986;

(m) “Procurement Plan” means the Recipient’s procurement plan, dated November 16, 2004, 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 3.03 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(n) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A.5 of Schedule 1 to this Agreement;

(o) “Special Accounts” means the accounts referred to in Part B.1 of Schedule 1 to this Agreement; and “Special Account” means any of these accounts;

(p) “SPGRD” means *Secrétariat Permanent pour la Gestion des Risques et des Désastres*, the Recipient’s Permanent Secretariat for Risk and Disaster Management;

(q) “Sub-grant Agreement” means any of the sub-grant agreements to be entered into between an NGO and a Beneficiary providing for a Subproject Grant (as hereinafter defined);

(r) “Subproject” means a set of activities carried out by a Beneficiary in support of the purposes specified in Part C of the Project, which set is selected, approved and implemented in accordance with the requirements of the Operational Manual; and

(s) “Subproject Grant” means a grant made or proposed to be made by PL480, through either an NGO or on its own behalf, out of the proceeds of the Grant to a Beneficiary for the partial financing of a Subproject pursuant to the terms of the Operational Manual.

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 eight million Special Drawing Rights (SDR8,000,000).

Section 2.02. 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, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be December 31, 2008 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 U.S. Dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.06. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall:

- (a) through DPC carry out Part B of the Project;
- (b) cause PL480 (pursuant to the Implementation Agreement) to carry out Part A the Project; and
- (c) cause PL480 (pursuant to the Implementation Agreement) to, either on its own behalf or with the assistance of the NGOs (pursuant to the Cooperation Agreements), carry our Part C of the Project;

all with diligence and efficiency and in conformity with appropriate managerial, administrative, financial, ecological, environmental, social and conservation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient shall enter into an inter-institutional agreement with PL480 on terms and conditions satisfactory to the Association, said inter-institutional agreement to include, inter alia, PL480's obligation to, with respect to Part A and Part C of the Project: (i) assist the Recipient in complying with the Recipient's obligations to the Association under this Agreement; (ii) maintain, on behalf of the Recipient, records and accounts adequate to reflect the operations, resources and expenditures of Part A and Part C the Project, in order to enable the Recipient to comply with the Recipient's obligations under Sections 4.01 and 4.02 of this Agreement; (iii) execute the respective Cooperation Agreements; and (iv) follow the provisions of the Operational Manual.

- (b) (i) The Recipient shall exercise its rights and carry out its obligations under the Implementation Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant; and
- (ii) except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Implementation Agreement or any provision thereof.

(c) In case of any conflict among the terms of any Implementation Agreement, any Cooperation Agreement and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.03. (a) Except as the Association shall otherwise agree, procurement of the goods, works and 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, 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 3.04. (a) The Recipient shall issue an operational manual, satisfactory to the Association, containing, inter alia, specific provisions on detailed arrangements for the carrying out of the Project, including: (i) requirements for the selection, approval and implementation of Subprojects, including the eligibility criteria; (ii) a model to be used in

the preparation of FMRs; (iii) a model to be used for the execution of Cooperation Agreements; (iv) a model to be used for execution of Sub-grant Agreements; and (v) the Performance Indicators.

(b) If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provision of this Agreement shall prevail.

Section 3.05. (a) The Recipient shall operate and maintain, at all times during Project implementation, two project coordination units, one within DPC (DPC PCU) and one within PL480 (PL480 PCU), both units with structure, functions and responsibilities acceptable to the Association which shall include, inter alia:

- (i) coordination and implementation of their respective Parts of the Project;
- (ii) monitoring and evaluation of the carrying out of their respective Parts of the Project;
- (iii) processing of documentation required for disbursement of the Grant proceeds and for procurement of goods, works and services under their respective Parts of the Project; and
- (iv) preparation of the financial statements and FMRs, and maintenance of the records and accounts referred to in Article IV of this Agreement.

(b) The Recipient shall, and shall cause PL480 to:

- (i) ensure that the respective PCU is at all times staffed with at least a Project coordinator, a procurement specialist and a financial management specialist, all with qualifications and experience acceptable to the Association, operating under terms of reference satisfactory to the Association, and selected in accordance with competitive and transparent procedures satisfactory to the Association. The financial management specialist and the procurement specialist shall serve the PCUs on a full-time basis;
- (ii) ensure that the PCUs are provided with adequate facilities, satisfactory to the Association, to carry out their responsibilities; and
- (iii) agree with the Association on any substitution of the PCUs' staff referred above, prior to such substitution.

Section 3.06. 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 (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and the Recipient, a plan designed to ensure the continued achievement of the objectives of the Project; and
- (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.07. The Recipient shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, for each year during the implementation of the Project, semi-annual reports integrating the results of the monitoring and evaluation activities (including the status of the procurement under the Project) performed pursuant to paragraph (a) of this Section, on the progress achieved in the execution of the Project during the period preceding the date of each said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review with the Association, by May 15 and November 15 of each year during the implementation of the Project or such later date as the Association shall request, each report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of said report and the Association's views on the matter.

Section 3.08. (a) Prior to the approval of any proposed civil works to be financed out of the proceeds of the Grant, the Recipient shall, and shall cause PL480 to:

- (i) carry out an environmental screening and assessment of such proposed civil works; and
- (ii) prepare recommendations for the prevention, mitigation and remediation of any potential environmental damage arising from the implementation of such proposed civil works.

(b) During the implementation of any civil works, the Recipient shall, or shall cause PL480 to have the recommendations of the environmental screening and assessment referred to in subparagraph (a) (i) above carried out.

Section 3.09. No later than six months after the Project has started implementation the Recipient shall present to the Association for its review and approval an environmental management framework that shall contain specific environmental rules and procedures for the Project; said plan may become part the Operational Manual and may be updated from time to time. The Recipient shall comply with the terms of said framework and/or cause those terms to be complied with.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient, through DPC shall, and shall cause PL480 (pursuant to the Implementation Agreement) to, 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, through DPC, and shall cause PL480 (pursuant to the Implementation Agreement) to:

- (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), 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 four (4) 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient, through DPC, shall, and shall cause PL480 (pursuant to the Implementation Agreement) to:

- (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 reports and 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 Section 3.07 of this Agreement, the Recipient, through DPC shall, and shall cause PL480 (pursuant to the Implementation Agreement) to, prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which 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.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of a first complete semester of the Recipient's fiscal year 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 semester; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent semester, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) PL480 shall have failed to perform any of its obligations under the Implementation Agreement; and

(b) Any party thereto shall have failed to perform any of its obligations under a Cooperation Agreement or a Sub-grant Agreement.

ARTICLE VI

Effectiveness; Termination

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

(a) the Operational Manual has been issued and put into effect;

(b) the Implementation Agreement has been entered into by the parties thereto; and

(c) the PL480 PCU has been established and properly staffed as set forth in Section 3.05 (b) of this Agreement.

Section 6.02. The date April 6 , 2005 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 Finance and Economy of the Recipient 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:

Minister of Finance and Economy
Palais des Ministères
Port-au-Prince, Haiti

Facsimile:

(509) 299-1732

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 HAITI

By /s/ Raymond Joseph

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

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 under Part A and C of the Project (other than Subprojects)	100,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases
(2) Goods under Part A and C of the Project (other than Subprojects)	20,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases
(3) Consultants' services and training under Part A and C of the Project	535,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Works under Part B of the Project	555,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases
(5) Goods under Part B of the Project	610,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases
(6) Consultants' services and training under Part B of the Project	1,100,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases
(7) Subprojects	4,700,000	100% of foreign expenditures; 100% of local expenditures pursuant to paragraph 6 of this Section; and 90% in any other cases

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(8) Fees for audits referred to in section 4.01 (b) of this Agreement	35,000	
(9) Operating costs	45,000	
(10) Unallocated	300,000	
TOTAL	<u>8,000,000</u>	

2. For the purposes of this Schedule:

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

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

(c) the term “training” means the non-consultant expenditures incurred by the Recipient in connection with the carrying out of training activities under the Project, including reasonable travel costs and per diem of trainees, rental of training facilities and equipment, and training materials; and

(d) the term “operating costs” means the non-consultant expenditures incurred by the Recipient and PL480 in connection with the daily operation of the PCUs, including rental of office facilities, utilities, supplies, materials and equipment, which expenditures would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) Category 7 unless there is a Sub-grant Agreement; and (c) Categories 4, 5

and 6 unless the DPC PCU has been established and properly staffed as set forth in Section 3.05 (b) 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 \$100,000 equivalent per contract; (b) works costing less than \$1,000,000 equivalent per contract; (c) services of individual consultants; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) training; (f) subprojects; and (g) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

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

6. The Association may finance up to 100% all Eligible Categories if: (a) the Recipient has officially exempted all Eligible Expenditures from internal taxation; or (b) the Association has determined that the Recipient is eligible for 100% financing in accordance with Association's policy.

B. Special Accounts

1. Upon receipt of notification from the Association allowing the establishment of such accounts, the Recipient may open and maintain in Dollars: (a) a special deposit account for Part A and Part C of the Project (PL480 Special Account); and (b) a special deposit account for Part B of the Project (DPC Special Account); all in a bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

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

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

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

3. Payments out of any of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of any of the Special Accounts, 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.

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

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

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

(c) 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: (A) the records and accounts for each of the Special Accounts; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into any of the Special Accounts in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into any of the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

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

any of the Special Accounts 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 determines at any time that any amount outstanding in any of the Special Accounts will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the 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 any of the Special Accounts.

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

**Annex A
to
SCHEDULE 1**

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

1. For the purposes of this Annex, the term “Authorized Allocation” means: (a) the amount of \$600,000 to be withdrawn from the Grant Account and deposited into the PL480 Special Account; and (b) the amount of \$300,000 to be withdrawn from the Grant Account and deposited into the DPC Special Account, all pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 respective Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested.

(b) For replenishment of any of the Special Accounts, the Recipient shall furnish to the Association requests for deposit into the respective Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective 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 any of the Special Accounts for Eligible Expenditures. Each such deposit into any of the Special Accounts shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into any of the Special Accounts, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant 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 any of the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

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

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

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

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Recipient in: (a) rehabilitating areas affected by the recent adverse natural disasters; (b) strengthening its capacity to manage natural disaster risks and better respond to emergencies resulting from adverse natural events; and (c) reducing the vulnerability of communities through risk identification and risk mitigation activities.

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 objective.

Part A: Reconstruction and Risk Reduction Works

1 Carrying out of reconstruction and risk reduction works in selected areas of the territory of the Recipient, particularly those affected by floods, including rehabilitation of drainage systems, public buildings (including schools and clinics), and community centers.

2 Provision of technical assistance to select, organize and design rehabilitation works.

Part B: Institutional Strengthening

1. Strengthening of the institutional capacity of DPC and SPGRD through the provision of technical assistance, training and equipment (as necessary) to:

(a) assist the Recipient in the implementation of a national plan for risk and disaster management, including: (i) the creation of a training and documentation center; (ii) the establishment of risk management units within key ministries; (iii) the establishment of at least three thematic committees under SPGRD (public awareness, building norms and land use planning); (iv) the revision and validation of the Recipient's national response plan and the development of related emergency procedures and protocols; (v) the creation of disaster assessment and disaster intervention teams within DPC and key ministries; and (vi) the carrying out of simulation exercises at local and regional levels;

(b) develop a financial management system and a computerized inventory system;

(c) carry out financial audits for the Project.

2. Design and implementation of a public awareness program for the general public and decision makers to convey the Recipient's disaster management efforts to a larger audience.

3. Carrying out of:

(a) studies and workshops to support the establishment of building codes that take natural hazards into account; and

(b) a comprehensive environmental assessment for natural disaster vulnerability that includes: (i) consideration of the intensity, impact, frequency and causes of floods; (ii) consideration of existing flood management infrastructure and institutions; (iii) an action plan for infrastructure investments and watershed management such as reforestation and soil erosion control; and (iv) a definition of policies and institutions to promote the sustainability of proposed investments, including financial sustainability.

4. Rehabilitation of the Recipient's emergency operation centers at the national and departmental levels, including the provision of equipment and the installation of a national communication system to coordinate the operations between the national and regional levels.

Part C: Local Risk Management

1. Preparation of local risk and vulnerability maps and identification of risk reduction activities, including early warning systems, retention walls, terracing, drainage works, pilot reforestation projects and shelter retrofitting.

2. Carrying out of development and mitigation activities at the local level in areas of high vulnerability to natural disasters.

* * *

The Project is expected to be completed by June 30, 2008.

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 \$100,000 equivalent per contract and works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

2. Shopping. (a) Goods estimated to cost less than \$25,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping; and

(b) Goods under Subprojects estimated to cost more than \$10,000 equivalent per contract shall be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods under Subprojects estimated to cost less than \$10,000 equivalent per contract, which the Bank 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. Single Source Selection. Services under Subprojects estimated to cost less than \$10,000 equivalent per contract, 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.

2. Selection Based on Consultants' Qualifications. Services under Subprojects estimated to cost more than \$10,000 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.

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

Section IV. Review by the Association of Procurement Decisions

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

SCHEDULE 4

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. 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”.

8. 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.”

9. 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.”