

GRANT NUMBER TF053633 ANG

**Multi-Country Demobilization and
Reintegration Program
GRANT AGREEMENT**

(Emergency Demobilization and Reintegration Project)

among

REPUBLIC OF ANGOLA

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of the Multi-Country Demobilization and
Reintegration Program for the Great Lakes Region)**

and

**INSTITUTE FOR THE SOCIO-PROFESSIONAL
REINTEGRATION OF EX-COMBATANTS (IRSEM)**

Dated

, 2004

GRANT NUMBER 053633-ANG

MDRP GRANT AGREEMENT

AGREEMENT, dated _____, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), acting as administrator of the Multi-Country Demobilization and Reintegration Program for the greater Great Lakes Region (MDRP) in respect of grant funds provided by certain members of the Association as participants of the MDRP, and INSTITUTE FOR THE SOCIO-PROFESSIONAL REINTEGRATION OF EX-COMBATANTS (IRSEM) (the Recipient) for the benefit of the Republic of Angola (the Beneficiary);

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, through a Grant (the MDRP Grant);

(B) by a Development Grant Agreement between the Beneficiary and the Association on one hand, and the Project Agreement between the Association and the Recipient on the other, both dated September 5, 2003, for the Emergency Demobilization and Reintegration Project, the Association granted to the Beneficiary an amount in various currencies equivalent to twenty-four million Special Drawing Rights (SDR 24,000,000) to assist in financing of such Project on the terms and conditions set forth in the Development Grant Agreement and the Project Agreement; and

(C) The Beneficiary hereby confirms its support for, and its commitment to, the objectives of the Project to be financed by the MDRP Grant, and to this end, hereby undertakes to take all action necessary or appropriate to enable the Recipient to carry out its obligations set forth in this Agreement;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the MDRP Grant to the Recipient on 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 October 6, 1999), with the modifications set forth in Schedule 6 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 and the following additional terms have the following meanings:

(a) “Contractor” means an implementing agency eligible to receive a Micro-Grant (as hereinafter defined) in accordance with eligibility criteria set forth in the Project Implementation Manual (as hereinafter defined);

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

(c) “Micro-Grant” means a grant to be made out of the proceeds of the MDRP Grant to a Contractor to finance activities under Parts A, B, and C of the Project in accordance with the provisions of Paragraph II of Schedule 4 of this Agreement and with the Project Implementation Manual (as hereinafter defined);

(d) “Micro-Grant Agreement” means an agreement to be entered into between the Recipient and a Contractor for the provision of a Micro-Grant in accordance with the provision of paragraph 3 of Schedule 4 to this Agreement;

(e) “Project Implementation Manual” means the manual referred to in paragraph 1 of Schedule 4 to this Agreement and comprising policies, procedures, and guidelines which shall be followed by the Recipient in implementation of the Project; and

(f) “Special Account” means the account referred to in Section 2.02 (b) of this 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 equivalent to forty-eight million four hundred thousand United States Dollars (US\$ 48,400,000).

Section 2.02. (a) The amount of the MDRP 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 MDRP 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.

Section 2.03. The Closing Date shall be June 30, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. The Recipient's Director General , and any person whom he or she shall designate in writing, is designated as representative of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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, 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
- (c) in accordance with the implementation program set forth in Schedule 4 to this Agreement.

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

Section 3.03. 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 Recipient and the Association, a plan designed to ensure the continued achievement of the Project; and
- (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. The Recipient shall carry out 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).

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 its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Grant Account is made, have the financial statements referred to in paragraph (a) of this Section for each semi annual period, 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 six months after the end of each such semi annual period 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 period, or such 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 Report-based Disbursements or were made on the basis of statements of expenditures, 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 Association 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 Association's representatives to examine such records; and
- (iv) ensure that such reports or statements of expenditures are included in the annual audit 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 MDRP 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 Financial Monitoring Report 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 Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effectiveness; Termination

Section 5.01. This MDRP Grant Agreement will become effective as of the date of the countersignature.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Planning is designated as representative of the Beneficiary and the Director General of IRSEM is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Beneficiary:

Ministry of Planning
Largo do Palácio
Cx. Postal 885
Luanda
Angola

Facsimile:
244 233 9586

For the Recipient:

Instituto de Reintegração Socio-Profissional dos Ex-Militares
Avda. Comandante Valodia, no. 206, 10th Andar
Luanda, Angola

Facsimile:
(244-2) 441997

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: Facsimile:
248423 (MCI) (202) 477-6391
64145 (MCI)

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

REPUBLIC OF ANGOLA

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

INSTITUTE FOR THE SOCIO-PROFESSIONAL
REINTEGRATION OF EX-COMBATANTS

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the MDRP 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:

Category	Amount of the Grant Allocated (in US Dollars)	% of Expenditures to be Financed
(1) Works	400,000	85%
(2) Goods, Equipment, and Vehicles	5,000,000	100% of foreign expenditures and 85% of local expenditures
(3) Consultant Services and Audits	2,500,000	85%
(4) Training and Workshops	500,000	100%
(5) Micro-Grants under Parts A, B and C	35,000,000	100% of amounts disbursed
(6) Operating Costs	3,000,000	85%
(7) Unallocated	2,000,000	
TOTAL	<hr/> 48,400,000 <hr/> <hr/>	

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; and

(c) term “Operating Costs” means incremental expenses incurred on account of Project implementation, management and monitoring; including office supplies; vehicle and equipment operation and maintenance; communication and insurance costs; salaries of locally contracted employees and reasonable bank charges related to the operation of the Special Account, but excluding salaries of officials of the Beneficiary’s civil service including the Recipient’s regular staff.

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; and (b) payments made for expenditures under category (4) unless the Micro-Grants have been made in accordance with the provisions set forth or referred to in the Project Implementation Manual.

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) civil works costing less than US\$50,000 equivalent each; (b) goods estimated to cost less than US\$200,000 equivalent each, (c) services of consulting firms costing less than US\$100,000 equivalent each; (d) services of individual consultants and audits costing less than US\$50,000 equivalent each; and (e) Micro-Grants, training, workshops and 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 MDRP 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 assist the Recipient in its efforts to create long-term sustainable social development and to support macro-economic stability in its territory through the provision of support to the social and economic reintegration of the approximately 138,000 ex-combatants from the former UNITA (*União Nacional para a Independência Total de Angola*, the national union for the total independence of Angola, an organization now dissolved) military forces and the Angola Armed Forces; the reintegration assistance to special target groups including women, children associated with ex-combatants, and disabled; and the institutional development and program implementation support (the Project).

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: Economic Reintegration

1. Agriculture: economic reintegration of ex-combatants through the provision of small equipment, seeds, tools and technical advisory services in accordance with eligibility criteria described in the Project Implementation Manual.
2. Training: apprenticeship, on-the-job and formal training of ex-combatants in accordance with the selection criteria described in the Project Implementation Manual through the provision of equipment and technical advisory services.
3. Promotion of Income Generating Activities and Employment Opportunities: business management training, job placement services, provision of tool kits consistent with the skills training, employment creation through community and public works activities, assistance to ex-combatants through the provision of equipment, technical advisory services, and training, in accordance with the eligibility criteria described in the Project Implementation Manual.

Part B: Social Reintegration

Development and carrying out of community level programs in: (1) sensitization and confidence building; (2) civil right awareness; (3) information and counseling on health, sanitation and sexually transmitted diseases, including HIV/AIDS; (4) media campaigns through radio, posters, pamphlets and print media; (5) conflict analysis and reconciliation activities; and (6) cultural and sporting community activities, including work projects, selected in accordance with the eligibility criteria described in the Project

Implementation Manual, through the provision of technical advisory services and training.

Part C: Special Target Groups

1. Provision of support for the social and economic reintegration program for female ex-combatants by: (a) ensuring that they have benefits equal to those of male ex-combatants; (b) providing counseling services; and (c) monitoring the program, all through the provision of technical advisory services.

2. Support the social and economic reintegration program for disabled and chronically ill ex-combatants through the: (a) provision of physical rehabilitation assistance; and (b) provision of counseling, vocational training and support for micro-enterprise activities, all through the provision of works, technical advisory services and training.

3. Support the social and economic reintegration of children associated with ex-combatants by providing family tracing and unification, trauma counseling, psycho-social care, facilitation of access to education, recreation, vocational, and training in communities of settlement through the provision of technical advisory services and Goods.

Part D: Institutional Development and Program Implementation Support

Strengthening the capacity of the Recipient and its respective provincial offices to carry out and support activities under the Project through the provision of training and technical advisory services, the acquisition of vehicles and office equipment, and the carrying out of audits.

* * *

The Project is expected to be completed by February 28, 2007.

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 for 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 Borrower and works to be carried out by domestic contractors.

B. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

C. Other Procurement Procedures

1. Limited International Bidding

Goods estimated to cost less than \$300,000 equivalent per contract, and which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding. Goods and works estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.

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

4. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$50,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

5. Procurement from UN Agencies

Goods which are not available through competition or urgently needed may be procured from the Inter-Agency Procurement Services Office of the United Nations (IAPSO), the United Nations International Children's Emergency Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO) and United Nations Development Program (UNDP), in accordance with the provisions of 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation

Goods and works and services (other than Consultant Services) estimated to cost less than \$50,000 equivalent shall be procured in accordance with procedures acceptable to the Association.

6. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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. 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.

2. Selection Based on Consultants' Qualifications. Services of consulting firms estimated to cost less than \$100,000 equivalent per contract and services of individual consultants estimated to cost less than \$50,000 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. 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.

4. 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 approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each civil works estimated to cost the equivalent of US\$50,000 or more; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more procured on the basis of International Competitive Bidding or National Competitive Bidding; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

I. General

1. The Recipient shall prepare and furnish to IDA a Project Implementation Manual in form and substance satisfactory to the Association, setting out details of : (a) Project implementation; (b) Project financial management plan; (c) Project procurement plan; (d) Micro-Grants Guidelines including: (i) eligibility criteria, (ii) beneficiaries, (iii) terms and conditions for providing Micro-Grants, (iv) sample Micro-Grant Agreement, and (v) such other administrative, financial, technical and organizational arrangements as shall be required for the provision of Micro-Grants; and (d) such other administrative, financial, technical and organizational arrangements as shall be required for implementation of the Project.

II. Eligibility Criteria for Micro-Grants

2. The Recipient shall provide Micro-Grants to finance activities under Parts A, B, and C of the Project. Micro-Grants shall be provided in accordance with guidelines, procedures and eligibility criteria acceptable to the Association and set forth in the Project Implementation Manual, such provisions shall include, but not be limited to, the following:

(a) Micro-Grants shall be provided for any of the activities referred to in Parts A, B, and C of the Project and shall not be provided for any of the activities mentioned in a negative list in the Project Implementation Manual;

(b) activities to be financed by Micro-Grants shall be initiated and implemented by a contractor (the Contractor) which could be any entity eligible to receive a Micro-Grant in accordance with the provisions set forth in the Project Implementation Manual; and

(c) activities to be financed by Micro-Grants shall be in compliance with: (i) applicable laws and regulations of the Beneficiary; and (ii) criteria and standards set forth in the Project Implementation Manual.

3. To provide Micro-Grants, the Recipient shall enter into a Micro-Grant Agreement with the Contractor under terms and conditions satisfactory to the Association , which shall include the following:

(a) a description of the approved activities, with its budget and its performance indicators;

(b) provisions requiring the financing to be made on a grant basis;

(c) the Contractor's obligation to: (i) carry out the activities with due diligence and efficiency and in accordance with sound administrative, technical and financial standards taking into account social and environmental implications and in accordance with the provisions of the Project Implementation Manual; (ii) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Project Implementation Manual, the operations, resources and expenditures in respect of the activity; and (iii) maintain adequate reporting in accordance with the standards specified in the Project Implementation Manual;

(d) the requirements that: (i) the goods, works and services to be financed from the proceeds of the Micro-Grant shall be procured in accordance with the procedures set forth in the Project Implementation Manual; and (ii) such goods, works and services shall be used exclusively in the carrying out of the activities under Parts A, B, and D;

(e) the right of the Recipient to inspect, by itself, or jointly with the Beneficiary, and the Association, if the Association shall so request, the goods, works, sites, services and construction financed by the Micro-Grant, the operations thereof and any relevant records and documents;

(f) the right of Recipient to obtain all information as the Recipient, the Beneficiary, or the Association shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Micro-Grant; and

(g) the right of the Recipient to suspend or terminate the Contractor's right to use the proceeds of the Micro-Grant upon failure by the Contractor to perform any of its obligations under Micro-Grant Agreement.

III. Monitoring

4. 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 7 to this Agreement, 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, on or about December 31, 2004 and thereafter no later than December 31, of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (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

(c) review with the Association, on or about January 30th of each year, or such later date as the Association shall request, the 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 objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

IV. Mid-Term Review

5. The Recipient shall:

(a) no later than December 31, 2005, carry out jointly with the Association, a midterm review of the progress made in carrying out the Project; and

(b) carry out, no later than one month after the completion of the Mid-term Review, the Recommendations of the Mid-term Review as agreed with the Association.

6. The Mid-term Review shall assess the following: (i) the overall progress made in the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the MDRP 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 \$4,600,000 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 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 MDRP 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 MDRP 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

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), 3.05, 6.05, 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 “the MDRP Grant”.
 - (c) The term “credit” is modified to read “the MDRP grant”; except that where used in Sections 6.02(a)(ii) and 6.02(c)(i), as modified below, the term “credit” shall continue to read “credit”.
 - (d) The term “Credit Account” is modified to read “Grant Account”.
 - (e) The term “Development Credit Agreement” is modified to read “MDRP Trust Fund Grant Agreement”.
3. Article IV is modified as follows:
 - (a) Section 4.02(a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02 Currencies in which Commitment Charges are Payable

 - (a) The Recipient shall pay the commitment charge on the MDRP Grant in the currency specified in the Development Grant 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 “commitment charge”.
 - (c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the MDRP Grant

The amount of the MDRP 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.”

4. Section 6.02 is modified as follows:
 - (a) The phrase “any other development credit agreement” in Section 6.02(a)(ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement or any MDRP TF Grant Agreement”.
 - (b) The phrase “any development credit agreement” in Section 6.02(c)(i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement or any MDRP TF Grant Agreement”.
5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.
6. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

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

SCHEDULE 7

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Recipient and the Association:

Component	Monitoring Indicators
Reintegration	<ul style="list-style-type: none">• At least 20,000 demobilized ex-combatants receive targeted reintegration assistance in each full year of program operation.• Average costs for reintegration assistance do not exceed US\$600 equivalent per person• At least 50% of those demobilized are involved in some form of economic activity within 6 months of having received reintegration assistance.
Special target groups	<ul style="list-style-type: none">• Each demobilized disabled ex-combatant has started to receive medical rehabilitation assistance within 18 months of Project Effectiveness.• Each child associated with combatants to have received target reintegration assistance as follows: 15% of estimated total number in 2004, 45% of estimated total in 2005, and 40% of estimated total in 2006
Institutional Development and Program Implementation Support	<ul style="list-style-type: none">• The six key provincial IRSEM offices are fully operational within three months of Project effectiveness, in accordance with criteria set forth in the Program Implementation Manual.• First round of prime contractor contracts finalized within four months of Project effectiveness.• An independent evaluation is carried out annually, including use of beneficiaries opinion polls, in accordance with Terms of Reference agreed with the Association.

