

CONFORMED COPY

GEF GRANT NUMBER TF 28312  
GEF Trust Fund Grant Agreement related to Loan Number 4008 IND

Global Environment Facility  
Trust Fund Grant Agreement

(Kerinci-Seblat Integrated Conservation and Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as Implementing Agency of  
the Global Environment Facility

Dated June 17, 1996

GEF Grant No. TF 28312  
GEF Trust Fund Grant Agreement related to Loan Number 4008 IND

GLOBAL ENVIRONMENT FACILITY  
TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 17, 1996, between REPUBLIC OF INDONESIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an Implementing Agency of the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (GEF Trust Fund) by certain members of the Bank as participants of the GEF.

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

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of the Executive Directors dated May 24, 1994, establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with Resolution 94-2; and

(D) the Recipient has also requested the Bank to provide additional assistance in the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank (the Loan Agreement), the Bank has agreed to provide such assistance in an aggregate principal amount equivalent to nineteen million one hundred thousand dollars

(\$19,100,000) (the Loan); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Section 4.01 and the first sentence of Section 4.09;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Sections 10.01, 10.03 and 10.04;
  - (x) Article XI; and
  - (xi) Section 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
  - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an Implementing Agency, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;
  - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
  - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
  - (v) the term "Loan" and "loan" wherever used in the General Conditions, means the GEF Trust Fund Grant;
  - (vi) the term "Loan Account" wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and
  - (vii) a new sub-paragraph is added after sub-paragraph (j) in Section 6.02 of the General Conditions, as follows: "an

extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF Trust Fund."

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:

(a) "Affected Person" means a person who, on account of the execution of the Project, has or would have his/her (i) standard of living, (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently, or (iii) business, occupation, work, or place of residence or habitat, adversely affected; and "Affected Persons" means collectively all persons who qualify as an Affected Person;

(b) "AMDAL" means Analisis Mengenai Dampak Lingkungan, an environmental impact assessment under the laws of the Recipient;

(c) "KSNP" means the Kerinci-Seblat National Park established in the Borrower's provinces of Bengkulu, Jambi, South Sumatra and West Sumatra;

(d) "Orang Rimba" means the traditional hunter-gatherers on the island of Sumatra, called people of the forest;

(e) "Project area" means the Kerinci-Seblat National Park and surrounding areas;

(f) "Resettlement and Rehabilitation Action Plan" means the action plan for the carrying out of the resettlement and rehabilitation of Affected Persons under the Project referred to in paragraph 9 (c) of Schedule 4 to this Agreement; and

(g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to ten million two hundred thousand Special Drawing Rights (SDR 10,200,000).

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

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in Bank Indonesia or in a commercial bank on terms and conditions satisfactory to the Bank, including, in the case of a commercial bank, 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 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2002, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

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

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

Section 3.02. Except as the Bank 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 GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

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

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant

Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank'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.

#### ARTICLE V

##### Effectiveness; Termination

Section 5.01. The following event is specified as a condition to the effectiveness of this Agreement, namely, that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE VI

##### Representative of the Recipient; Addresses

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Ministry of Finance  
c/o Directorate General of Budget  
Jalan Lapangan Banteng Timur 2-4  
P. O. Box 1139  
Jakarta 10710, Indonesia

Cable address:

FINMINISTRY  
Jakarta

Telex:

45799 DJMLN-IA  
44319 DEPKEU-IA

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or

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

REPUBLIC OF INDONESIA

By /s/ Arifin M. Siregar, Ambassador  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
acting as an Implementing Agency of  
the Global Environment Trust Fund

By /s/ Harold Messenger  
Acting Regional Vice President  
East Asia and Pacific Region

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part A of the Project	800,000	60%
(2) Equipment (except vehicles), furniture and mapping materials under Part A of the Project	200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Training under:		
(a) Part A of the Project	700,000	90%
(b) Parts B and C of the Project	200,000	20%
(4) Extension and planning activities:		
(a) under Part A of the Project	600,000	80%
(b) under Parts B and C of the Project	300,000	10%
(5) Surveys and research:		

(a) Part A	800,000	90%
(b) Parts B and C	1,100,000	50%
(6) Incremental operating expenditures under Part A of the Project	400,000	15%
(7) Consultants' services under:		
(a) Parts A (except A (b)) and B (except B.2) of the Project	3,700,000	90%
(b) Parts A.2 (b) and B.2 of the Project	400,000	10%
(8) Unallocated	1,000,000	
	<hr/>	
TOTAL	10,200,000	=====

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 "Extension and planning activities" means expenditures for wages of laborers under extension and planning activities, materials (other than mapping materials), and staff honoraria and travel; and

(d) the term "incremental operating expenditures" means salaries of contract administrative support staff in the Project management units in the Project Area.

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. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

5. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) civil works under contracts costing less than \$500,000 equivalent; (ii) goods under contracts costing less than \$200,000 equivalent, except the first contract for goods under the Project; (iii) training, extension and planning activities, and incremental operating expenditures; and (iv) contracts for the employment of consulting firms costing less than \$100,000 equivalent each, and contracts for the employment of individuals costing less than \$50,000 equivalent each; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to secure

the biodiversity of KSNP and stop further habitat fragmentation, through: (i) improvement of the protection and management of KSNP, including involvement of local communities; (ii) promotion of sustainable management and maintenance of permanent forest cover in the buffer zone, including logging concession areas; and (iii) development of an integrated conservation and development project model to reconcile conservation and regional and district development.

#### Part A: Park Management

1. Preparation and implementation of a management and zoning plan for KSNP, including:

(a) strengthening of KSNP protection, management, enforcement, and participatory planning, through: strengthening of relevant local government agencies, carrying out of extension activities and planning activities, and infrastructure support, including provision of equipment and furniture; and

(b) boundary rationalization activities, species inventory, ecological monitoring, and socioeconomic and other research necessary for KSNP and buffer zone planning and management, including provision of related equipment.

2. Carrying out of monitoring and evaluation to:

(a) monitor encroachment and poaching, the effectiveness of enforcement measures, and other development impacts within KSNP boundaries; and

(b) develop monitoring and performance indicators to assess the status of KSNP, including boundary stability, habitat conditions, and species survival and distribution.

3. Provision of training in the improvement of skills in the relevant fields of expertise for KSNP personnel, including management staff, field staff and community extension workers.

4. Carrying out of a study on the financing options for long-term sustainable protected areas management, including the feasibility of the establishment of a trust fund.

5. Carrying out of a study to assess the potentials and constraints on KSNP becoming an eco-tourism site.

#### Part B: Area and Village Development

1. Improvement of land use planning and community resource management in about 134 selected villages in the inter-action zone surrounding KSNP, including villages adjoining, or within, logging concession areas bordering KSNP, through:

(a) situational assessment; design, implementation and monitoring, and review, evaluation and revision of design of village development plans; and establishment of village conservation agreements; and

(b) provision of Grants to about 134 selected villages surrounding KSNP to finance sub-projects for small-scale infrastructure, agriculture intensification, scholarships for children and other training, and business and enterprise activities.

2. Strengthening central and provincial institutional capabilities for analyzing the impact of rural development activities on KSNP, and facilitating the assessment of Project effectiveness in enhancing social and economic development for boundary communities through provision of technical assistance and related training to staff.

3. Provision of training for improvement of relevant skills for Project coordinators, community organizers, extension workers, and land use and regional planning staff, and provision of conservation awareness information to boundary villages, government agencies and the community at large.



4. Improvement of the regulatory guidelines for inter-provincial spatial planning and regional planning practices to assist the regional economic development of the greater Kerinci-Seblat area to become more conservation oriented, and preparation of a spatial plan covering the areas having an impact on KSNP.

5. Collection of baseline information on the Orang Rimba presence in and utilization of KSNP and the buffer zone, including ecological and socio-economic impact assessment.

#### Part C: Integrating Biodiversity in Forest Concession Management

1. Strengthening of relevant institutions through training and workshops, and establishment of appropriate policies for the effective management of forested areas bordering KSNP to act as an effective buffer zone for biodiversity, including carrying out of extension activities.

2. Identification, monitoring and protection of high biodiversity sites of conservation value within the logging concessions bordering KSNP, including ecological and biodiversity survey of logging concessions areas, and carrying out of independent audits of forestry logging and conservation practices in selected logging concessions around KSNP, and provision of related equipment.

3. Strengthening the Recipient's management of logging concessions through the application of the overall regional land use priorities supported by the Project, including the spatial plan and the ecological and biodiversity survey results, to such concession management.

4. Establishment of a system for monitoring the integrity of KSNP and the logging concession boundaries, including the effectiveness of preserving biodiversity; and development of a capability to monitor and evaluate forest management practices within logging concession areas, including the success of conservation sites within logging concession boundaries.

5. Provision of training for staff of the Directorate General for Forest Utilization and other relevant agencies of the Ministry of Forest, the provincial forestry departments, and relevant staff of the logging concessions in the Project area, in biodiversity conservation assessment and forest concession audits.

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The Project is expected to be completed by March 31, 2002.

#### SCHEDULE 3

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: Procurement Procedures

##### 1. National Competitive Bidding

Except as provided in paragraph 2 of this Part, goods and civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$70,000 equivalent, may be

procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank 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 Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, and the first contract for goods under the Project, and each contract for civil works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 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, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 1, 1999, 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 Bank, by June 1, 1999, or such later date as the Bank 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 Bank views on the matter.

2. In carrying out Part A of the Project, the Recipient shall, not later than August 31, 1996, establish and, thereafter maintain until completion of the Project, a KSNP Project management unit with competent staff in adequate numbers.

3. In carrying out Parts A and C of the Project, the Recipient shall:

(a) not later than March 31, 1997, complete the demarcation of the KSNP boundary; and

(b) not later than September 30, 1997, complete the gazettelement of KSNP.

4. In carrying out Parts A and C of the Project, the Recipient shall, not later than March 31, 1997, review measures to improve biodiversity management in logging concession areas adjacent to KSNP, including the possibility of excluding logging activities in certain areas, and, thereafter, cause the prompt implementation of any measures that are found to be feasible.

5. In carrying out Parts A and C of the Project, the Recipient shall take all steps necessary to ensure that existing logging permits for logging concessions in areas adjacent to KSNP are not renewed or extended without the inclusion of a biodiversity management zone for the areas adjacent to KSNP, such biodiversity management zone to remain in effect until biodiversity surveys have been carried out for purposes of identifying significant biodiversity sites to be protected. Thereafter, the identified biodiversity sites would remain as biodiversity management zones.

6. In carrying out Part A of the Project the Recipient shall:

(a) take all measures necessary to ensure (i) that current mining exploration permits in KSNP are not renewed or extended after their expiration, and (ii) that, promptly upon the determination by the Recipient's Ministry of Mining that an area subject to a mining concession lacks significant economic potential, the applicable mining concession is terminated in accordance with applicable legislation;

(b) prior to the granting of exploration permits and exploitation or production licenses in KSNP, furnish to the Bank for comments, the full AMDAL evaluation by the Recipient's Sectoral AMDAL Commission, including the specifications of exploration, mining and extraction methods, and any other mitigation measures required to minimize any adverse impact on KSNP from the proposed activity;

(c) take all measures necessary to ensure that the exploration permit and the exploitation or production license, is granted solely on terms consistent with the findings and recommendations of the Recipient's Sectoral AMDAL Commission and the Bank's comments on the AMDAL evaluation; and

(d) thereafter, ensure that all recommended mitigation measures are promptly and fully carried out.

7. In carrying out Part B of the Project the Recipient shall:

(a) not later than September 30, 1998, prepare and carry out a land zoning plan for the Project area, including recommendations for the

long-term management plan of KSNP, acceptable to the Bank; and

(b) not later than June 1, 1999, review the land zoning plan for the Project area, and, promptly thereafter, carry out the recommendations of such review, taking into account the comments of the Bank.

8. The Recipient shall:

(a) take all measures necessary to ensure that no roads shall be constructed or upgraded within KSNP until (i) the completion of the KSNP management plan and the land zoning plan for the Project area referred to in paragraph 7 of this Schedule, and (ii) an AMDAL shall have been carried out; and

(b) ensure that any construction or upgrading shall be carried out in a manner consistent with the recommendations of the AMDAL, including recommendations for the carrying out of mitigating measures, and the requirements of the management plan and spatial plan referred to in paragraph 7 of this Schedule.

9. The Recipient shall:

(a) until April 1, 1999, not cause or permit involuntary resettlement of persons residing within KSNP;

(b) thereafter, confine any involuntary resettlement to that required for purposes of protection of KSNP's biodiversity; and

(c) where involuntary resettlement is to be carried out, (i) furnish to the Bank for approval the Resettlement and Rehabilitation Action Plan, prepared on the basis of Schedule 5 to this Agreement, and (ii) thereafter, carry out the resettlement and rehabilitation of Affected Persons in accordance with the Resettlement and Rehabilitation Action Plan approved by the Bank.

10. In carrying out Part B.5 of the Project, the Recipient shall:

(a) not later than September 30, 1998, furnish to the Bank for comments, the results of the baseline study and the impact assessment;

(b) based on the results of the study and of the assessment, and taking into account the KSNP management plan, the land zoning plan for the Project area, and the comments of the Bank on the baseline study and impact assessment, prepare, not later than June 1, 1999, an action plan designed to ensure that the Orang Rimba do not suffer adverse effects as a result of the implementation of the above plans; and

(c) promptly thereafter, carry out such action plan in a manner satisfactory to the Bank.

11. The Recipient shall provide the vehicles and the fertilizers required under the Project in accordance with a schedule and timetable agreed with the Bank.

#### SCHEDULE 5

Terms of Reference for the Resettlement and Rehabilitation Action Plan

1. Objectives

(a) Affected Persons shall be:

(i) compensated for their losses at full replacement cost prior to the actual move;

(ii) assisted with the move and supported during the transition period in the resettlement site; and

(iii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or a least to restore them.

(b) Affected Persons shall participate and be consulted in the planning and the implementation of the resettlement through community participation.

(c) Affected Persons shall be integrated socially and economically into the host communities so that adverse impacts on host communities are minimized.

(d) Compensation for land, housing, infrastructure, and other assets shall be provided to the Affected Persons. Lack of legal title to the land and other assets as well as usufruct or customary rights thereto shall not be a bar to the provision of compensation.

(e) Compensation for land shall be provided in land of equivalent potential productive purpose. Compensation for houses and other assets shall be provided in cash at full replacement cost.

(f) Compensation for civic amenities, community grazing land and other community assets shall be provided in equivalent assets.

## 2. Content of Action Plan

The Resettlement and Rehabilitation Action Plan shall provide for:

- (a) eligibility criteria for determining Affected Persons in accordance with the definition set forth in Section 1.02 (a) of this Agreement;
- (b) entitlements for compensation and rehabilitation;
- (c) organizational responsibilities;
- (d) costs and budgets;
- (e) community participation and integration with host populations;
- (f) socioeconomic survey;
- (g) legal framework of resettlement, including applicable legal and administrative procedures;
- (h) identification of alternative sites and of selected sites;
- (i) valuation of and compensation for lost assets at replacement cost in accordance with paragraph 1 (d), (e) and (f) of this Schedule;
- (j) review of land tenure and transfer systems;
- (k) provision of access to training, employment and credit for Affected Persons;
- (l) provision of adequate resources for shelter, infrastructure and social services;
- (m) environmental impact of resettlement on host communities and environmental management;
- (n) implementation schedule of resettlement, and monitoring and evaluation of resettlement;
- (o) grievance mechanisms to adequately address compensation issues of Affected Persons;
- (p) monitoring of the impact of the Resettlement and Rehabilitation Action Plan by an independent agency; and
- (q) reporting procedures to the Bank.

### SCHEDULE 6

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund 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 \$1,500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$750,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank 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 Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the

GEF Trust Fund 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 Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank 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 GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank 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 Bank, the Recipient shall, promptly upon notice from the Bank (A) provide such additional evidence as the Bank may request, or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank 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 Bank, refund to the Bank such outstanding amount.

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

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

