

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF057165-BEN

Global Environment Facility Trust Fund Grant Agreement

(Forests and Adjacent Lands Management Project)

between

THE REPUBLIC OF BENIN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated August 24, 2006

GEF TRUST FUND GRANT NUMBER TF057165-BEN

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated August 24, 2006, between THE REPUBLIC OF BENIN (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 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 March 14, 1991 of the Executive Directors of the Bank, 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 continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; 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 for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), 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 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;

- (iii) Section 3.01;
 - (iv) Sections 4.01 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 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) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
 - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (v) the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:
 - a) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii)

right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

- b) “AFAM” means the Administrative, Financial, and Accounting Manual of the Project, outlining the administrative, financial and accounting arrangements for the implementation of the Project adopted pursuant to Section 6.01 (a) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the AFAM, including the schedules regarding disbursement and procurement arrangements;
- c) “Beneficiary” means either a CBO eligible for a grant for a rural Communal Microproject (as defined in Schedule 4 hereto) or a CBO member eligible for a grant for an Individual Microproject (as defined in Schedule 4 hereto), in accordance with the terms of Schedule 4 of this Agreement;
- d) “CBO” means a local rural community-based organization established and operating under the laws of the Recipient;
- e) “CeRPA » means *Centres Régionaux pour la Promotion Agricole*, the Recipient’s regional center in charge of the implementation of agriculture policies;
- f) “*Commune*” means a rural commune in the territory of the Recipient established under the Law No. 97-028 of the Recipient dated January 15, 1999;
- g) “DAGR N” means the *Direction d’Aménagement et de Gestion des Ressources Naturelles*, the Recipient’s regional directorate in charge of the implementation of the forestry, natural resources, rural management and rural equipment policies;
- h) “DFRN” means the Recipient’s National Directorate in charge of the implementation of forestry and natural resources management policies;
- i) “EA” means the Environmental Assessment completed for the Project on a national basis in June, 2000 adopted by the Recipient, as subsequently updated;
- j) “Environmental and Social Management Framework” or “ESMF” means the document, updated in June 2005 adopted by the Recipient, consisting of: (i) a framework outlining the modalities for environmental screening and rules, guidelines and procedures for the preparation and implementation of environmental assessments and mitigation measures to be complied with, as the

case may be, for the preparation and the carrying out of each Forest Management Plan; each Microproject and each plan for adjacent land; and (ii) modalities for social analysis and a resettlement policy framework outlining the modalities for land acquisition, resettlement and rehabilitation of, and payment of compensation to, displaced persons under each Forest Management Plan, each Microproject and each plan for adjacent land;

- k) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- l) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;
- m) “FALMP” means the Forests and Adjacent Lands Management Program prepared by the Ministry in charge of forests in order to scale-up the community-based forest management component of PGRN to the remaining gazetted forests in Benin, forest adjacent lands and four forest plantations in the urban landscape around Parakou, Abomey, Djougou and Natitingou;
- n) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;
- o) “FMF” means Forest Management Funds to be established pursuant to Part B of the Project which will permit the reinvestment of revenues from forestry activities to cover all or part of the recurring costs of forest management activities;
- p) “Forest Management Plan” means each of the participatory integrated forest management plans referred to in paragraph 4 of Schedule 4 hereto, adopted by the Recipient in form and substance satisfactory to the Bank;
- q) “INRAB” means the national institute of the Recipient responsible for agricultural research;
- r) “NGO” means a non-governmental not-for profit association, authorized to operate in the territory of the Recipient;
- s) “MAEP” means the *Ministère de l’Agriculture, de l’Elevage et de la Pêche*, the Recipient’s ministry responsible for fisheries, forestry, livestock and agriculture;
- t) “Management Unit” means a subdivision of the forest or the adjacent land created pursuant to the Decree No. 96-271 of July 2, 1996 applying the Law No. 93-009 of July 2, 1993;

- u) “Matching Grant Agreement” means an agreement to be entered into between the Recipient and each of the Beneficiaries, as described on Schedule 4 of this Agreement;
- v) “Microproject” means a Communal Microproject or an Individual Microproject, as applicable, for which a Microproject Grant may be provided in accordance with the terms of Schedule 4 of this Agreement;
- w) “Microproject Grant” means a grant made or to be made to the Beneficiary from the proceeds of the Grant, to finance Microprojects under Part B of the Project in accordance with the provisions of paragraph 9 of Schedule 4 of this Agreement and in accordance with the conditions and provisions of the PIM;
- x) “MEM” means the Monitoring and Evaluation Manual of the Project, outlining the monitoring and evaluation arrangements of the Project adopted pursuant to Section 6.01 (a) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the MEM;
- y) “PGRN” means the *Projet de Gestion des Ressources Naturelles*, a project which was co-financed by German Technical Cooperation (GTZ), UNDP and the French Agency for Development (AFD) to which the Project is a follow-up operation;
- z) “Project Implementation Manual” or “PIM” means the manual to be prepared by the Recipient outlining, *inter alia*, the institutional and operational arrangements for the implementation of the Project, and the operational arrangements for the implementation of the Project, as the same may be amended from time to time with the approval of the Bank, and such term includes any schedules and attachments to said PIM;
- aa) “Project Manuals” means the PIM, the MEM, and the AFAM, collectively;
- bb) “Project Zone” means the forests of Dogo-Kétou, Dan-atchéribé, Ouémé Boukou, Mékrou, Kouandé, Logozohé, Alibori supérieur, Ouénou Bénou, Trois rivières, Terroir confluent Ouémé-Okpara, Terroir de Djida, Tchaourou Toui-Kilibo, Ouémé Supérieur et N’Dali, Sota, Gougoun and Goroubi;
- cc) “Procurement Plan” means the Recipient’s procurement plan, dated December 21, 2005 covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18-month period (or longer) of Project implementation.

- dd) “Project Preparation Fund” means the GEF Grant for preparation of the Project in the amount of \$295,000 granted to the Recipient pursuant to a letter agreement signed by the Beneficiary on January 12, 2000;
- ee) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 to this Agreement;
- ff) “SFGRN” means the service responsible for forests and the management of natural resources, a regional deconcentrated agency of the DFRN;
- gg) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;
- hh) “Steering Committee” means the steering committee for the FALMP created under the responsibility of SG/ MAEP by *Arrêté* No 551/MAEP/D-CAB dated August 08, 2002.

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 equal to six million Dollars (\$6,000,000).

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, works and services required for 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 CFAF a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, 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 1 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 2011 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 through the DFRN with due diligence and efficiency and in conformity with appropriate environmental practices and with due regard to ecological and environmental 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. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

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 for the future operation of the Project; and

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) open and thereafter maintain for the duration of the Project, an account in CFAF (the Project Account) in the *Trésor Public* on terms and conditions satisfactory to the Bank;

(b) make an initial deposit into the Project Account in the amount of CFAF 60,000,000 to finance the contributions of the Recipient to the Project;

(c) No later than on each of June 30 and September 30, 2006, make two deposits into the Project Account in the amounts of CFAF 50,000,000 each to finance the contributions of the Recipient to the Project;

(d) No later than on each of March 31, 2007, 2008, 2009, 2010 and 2011, make deposits into the Project Account each in the amounts of CFAF 85,000,000 each to finance the contributions of the Recipient to the Project;

(e) Ensure that amounts deposited into the Project Account shall be used exclusively to finance expenditures made or to be made, if the Bank shall so agree, in respect of the reasonable cost of goods, works and services for the Project in addition to those financed out of the proceeds of the Grant.

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (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 Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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 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 shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, 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;
- (ii) enable the Bank'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 Bank), referred to in paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

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

(a) a situation shall have arisen which shall make it impossible that the Recipient's program described in the FALMP or a significant part thereof, will be carried out; or

(b) any of the *Arrêtés* related to the gazetted forests, protected areas, adjacent lands, planting zones (*Arrêtés* No. 365, No. 366, No. 367 and No. 369, dated January 30, 1942, *Arrêtés* No. 3074 and No. 3075 dated September 5, 1942, *Arrêté* No. 3677 and No. 3678 dated October 15, 1943, *Arrêté* No. 3779 dated October 29, 1943, *Arrêté* No. 1856 dated May 9, 1946, *Arrêté* No. 5998 dated August 13, 1954, *Arrêté* No. 675 dated January 27, 1955 and *Arrêté* No. 6459 dated August 18, 1955), shall have been amended, suspended, abrogated, repealed or waived so to materially and adversely affect the implementation of the Project.

ARTICLE VI

Effectiveness; Termination

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

(a) the Recipient has adopted: (i) a Project Implementation Manual; (ii) an Administrative, Financial and Accounting Manual, and (iii) a Monitoring and Evaluation Manual, satisfactory to the Bank;

- (b) the Recipient has clarified the role of the Mayors in the collection of forestry taxes, through a *Lettre Circulaire* issued jointly by the Ministry of Agriculture, Livestock, and Fisheries, and the Ministry of Finance;
- (c) the Project Account has been opened and the initial contribution referenced in Section 3.04 has been deposited therein;
- (d) the Recipient has chosen a consultant to assist the Recipient in the implementation of and training for, a monitoring and evaluation system for the Project, satisfactory to the Bank;
- (e) the Recipient has established computerized accounting and financial management system for the Project satisfactory to the Bank; and
- (f) the Recipient has furnished to the Bank evidence that the Recipient has recruited the independent auditors referred to in Section 4.01 of this Agreement in accordance with the provisions of Schedule 3 to this Agreement.

Section 6.02. 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 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient at the time responsible for Finance and Economy 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:

Ministère du Développement, de l'Economie et des Finances
B.P. 302
Cotonou
Republic of Benin

Cable address:	Telex:	Facsimile:
MINFINANCES Cotonou	5009 MINFIN or 5289 CAA	(229) 21 30 18 51 (229) 21 30 18 00

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(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.

THE REPUBLIC OF BENIN

By:

/s/ Cyrille Oguin
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment Facility

By:

/s/ Nils Tcheyan
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

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:

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
1. Works (forest management and rural markets)	2.00	100%
2. Goods (Equipment & Vehicles)	0.52	100% of foreign expenditures and local expenditures
3. Consultant Services	0.90	100%
4. Training & Workshops	1.30	100%
5. Microproject Grants	0.52	100% of amount disbursed
6. Operating Costs	0.46	100%
7. Non Allocated	0.30	
Total	6.00	

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; provided, however, that if the currency of the Recipient is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”;

(c) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, bank commissions, vehicles operation, insurance and maintenance, communication costs, utilities expenses, transport, travel and accommodation for work-related missions, and salaries of one bilingual secretary, and two drivers, but excluding salaries of officials of the Recipient’s civil service; and

(d) the term “Training” means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

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) a Microproject Grant under Category (5) unless such Microproject Grant has been made in accordance with the criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and on Schedule 4 hereto.

4. The Bank may require withdrawals from the GEF Trust Fund 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 \$100,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms costing less than \$100,000 equivalent per contract, and (e) training, workshops, studies and operating costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank 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. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent 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.

B. Special Account

1. The Recipient may open and maintain in CFAF Francs a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account 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 the Special Account shall be made exclusively for Eligible Expenditures. 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.

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

(a) if the Bank, 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 Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) 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: (A) the records and accounts for the Special Account; 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 Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account 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 Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account 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 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.

**Annex A
to
SCHEDULE 1**

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

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of CFAF 250,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount of CFAF 125,000,000, until: (i) the aggregate amount of withdrawals from the GEF Trust Fund Grant Account allocated to Categories (1) through (6) 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 USD 2,000,000.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 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 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank 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 GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant 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.

**Annex B
to
SCHEDULE 1**

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

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

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank 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 assist the Recipient in its efforts to lay down the foundation for a collective integrated ecosystem management system of its forests and adjacent lands.

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

Part A: Institutional Support and Capacity Building

Strengthening the institutional and technical capacity of the forestry administration, the approved consumer associations intervening in the Project Zone and NGOs intervening in the Project, in order to improve their performance and establish an integrated ecosystem management of natural resources through: (i) the acquisition of essential office equipment for the forestry administration and the carrying out of a training program for the forestry administration and approved consumer associations intervening in the Project Zone and NGOs intervening in the Project to promote participatory work with communities and to secure biodiversity in gazetted forests; (ii) the implementation of a public awareness, information and communication program adopted under the FALMP designed to publicize the implications of institutional changes amongst the general population and to raise their awareness of participatory forest management; and (iii) the establishment and operation of a monitoring and evaluation system which will include two related sub-components: a) monitoring of global environmental services and carbon sequestration to help establish baselines and monitor national trends in the quality of Benin's ecosystems and its management of natural resources; and b) a community-based monitoring and evaluation of Project activities based on Project indicators.

Part B: Community-Based Management of Forest Resources

1. Strengthening of the viability of the long-term management system of forest resources through:
 - a. the provision of technical assistance and financial support and the carrying out of training and works for the elaboration of a multi-resource inventory of the forestry species;
 - b. the provision of technical assistance, financial support and training for communities for the elaboration of Forest Management Plans, including through: (i) the identification of most used forestry products; (ii) the identification of types of Microproject; (iii) assistance in the drafting and negotiation of the Forest Management Plans; (iv) the establishment of Forest Management Funds; (v) the development and implementation of annual work plans and participatory

monitoring of adherence to those plans; and (vi) the elaboration and implementation of individual environmental assessments and environmental management plans related to the Forest Management Plan for individual forests;

- c. the provision of technical assistance, works, equipment and training for the implementation of eligible Forest Management Plans, including, for example, activities such as enrichment planting, the planting of appropriate species, support for conservation areas, the promotion of medicinal plants and improved agricultural techniques.
2. The provision of grants to Beneficiaries for eligible Microprojects.
 3. Strengthening of the viability of rural management systems of forest resources through the provision of financial support and technical assistance for: (i) the execution of base line studies for carbon sequestration; (ii) plantation of species favourable for carbon sequestration; and (iii) the elaboration of rural land delimitations (*plans fonciers ruraux*) to facilitate the implementation of rural land management plans.

Part C: Sustainable Fuelwood Production and Marketing

Promoting the production and utilization of fuelwood from the forests being reorganized through the provision of financial support, works and technical assistance for the construction of rural markets where the fuelwood and other forestry products would be sold.

Part D: Project Management

Strengthening of the effectiveness and quality of Project management and operations through support to the management of DFRN and of its deconcentrated branches including the provision of technical advisory services, equipment and training on Project management, monitoring and procedures.

* * *

The Project is expected to be completed by May 30, 2011.

SCHEDULE 3

Procurement

Section I. General

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

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

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank 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 \$200,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping, with a written proposal request addressed to at least three contractors or suppliers, as applicable, regularly established and in order (except for CBOs) with the administration of the Recipient in terms of their fiscal and social status.

3. Direct Contracting. Goods and works 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. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Bank 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.

3. Selection Based on Consultants' Qualifications. Services 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.

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

5. 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 for each contract estimated to cost the equivalent of \$10,000 or more.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for individual consultants'

services estimated to cost the equivalent of \$50,000 or more; (e) the first three contracts for each of the procurement methods; (f) all single source selection for assignments estimated to cost more than \$5,000; (g) all contracts for training; (h) all terms of reference of contracts estimated to cost the equivalent of \$5,000 or more; and (i) all amendments of contracts raising the initial contract value by more than 15% above the original amount or above the prior review thresholds set forth herein. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

Overall Oversight and Coordination

1. The Recipient shall establish and maintain for the duration of Project implementation the national Steering Committee responsible for the oversight of the FALMP, with composition and terms of reference acceptable to the Bank, to be responsible for the overall coordination, monitoring and oversight of the Project implementation at the national level.

Project Implementation, Administration and Management

2. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed between the Recipient and the Bank, the carrying out of the Project and the achievement of the objectives thereof.

3. The Recipient shall maintain for the duration of Project implementation the DFRN, with staffing and terms of reference acceptable to the Bank, to be responsible for the day-to-day management of Project implementation at the central level, including developing annual work plans, budget planning, contracting, coordination with other institutions, reporting, monitoring and evaluation of Project activities. For selected specific activities, such as agro-forestry in forest adjacent lands, promotion of improved agricultural techniques in the cultivation plots, a memorandum of understanding will be established between DFRN and INRAB, CeRPAs or specialized NGOs. DFRN will also be responsible for ensuring that Project activities are coordinated with those financed by other donors, and other government supported projects.

4. The Recipient shall maintain for the duration of Project implementation each of the SFGRN with staffing and terms of reference acceptable to the Bank, to be responsible for Project implementation at the regional level, including collection of monitoring data, the oversight of Microprojects and the management of local procurement activities, all in collaboration with CeRPAs, INRAB, and NGOs which will be engaged on a contractual basis to facilitate the formulation of participatory Forest Management Plans and plans for the management of adjacent land.

5. The Recipient shall establish and maintain for the duration of Project implementation a *Service Forestier Communal* for each of the relevant Communes, with composition and terms of reference acceptable to the Bank, to be responsible for Project implementation at the communal level.

6. The Recipient shall establish and maintain for the duration of Project implementation a *Poste Forestier* for each Management Unit, with composition and terms of reference acceptable to the Bank, to be responsible for Project implementation at the local level including for advisory

support to, awareness and technical tutoring in, the implementation of Forest Management Plans by the communities.

7. The Recipient shall carry out the Project in accordance with the provisions of the Project Manuals, the ESMF, the EA and the individual environmental assessments to be completed during the preparation of each Forest Management Plan, Microproject and management plan for adjacent lands, and shall not, except as the Bank shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Bank, may adversely and materially affect the implementation of the Project.

Eligibility Criteria for Forest Management Plans and Management Plans for Adjacent Lands.

8. The DFRN shall review proposed Forest Management Plans and management plans for adjacent lands, elaborated with the participation of the relevant stakeholders in accordance with the procedure set forth in the PIM and determine the eligibility for financing of such plans under Part B of the Project, subject to the satisfaction of the Bank.

Eligibility Criteria for Microproject Grants

9. (a) The DFRN shall review proposed Microprojects and provide Microprojects Grants to finance activities under Part B of the Project. Microprojects Grants shall be provided in accordance with guidelines, procedures and eligibility criteria acceptable to the Bank and set forth in the PIM. Such provisions shall include, but not be limited to, that:

- (i) final adoption of a Forest Management Plan for the relevant site, if applicable;
- (ii) each proposed community Microproject (“Communal Microproject”) shall be initiated by a CBO and each proposed individual Microproject (“Individual Microproject”) shall be initiated by one or more members of a CBO, which each meet the eligibility criteria specified in the PIM;
- (iii) the proposed Microproject shall be for activities such as set forth in the PIM;
- (iv) the investment cost of (1) each proposed Communal Microproject shall not exceed \$30,000 equivalent, and (2) each proposed Individual Microproject shall not exceed \$5,000 equivalent, except as previously agreed with the Bank;
- (v) the financing of the proposed Microproject shall be fully covered by the sum of the Matching Microproject Grant and the relevant Beneficiary’s contribution.

(b) No proposed Microproject shall be eligible for financing under Part B of the Project if the DFRN has determined, on the basis of an appraisal conducted in accordance with this Section and the PIM, that the proposed Microproject satisfies any of the non-eligibility criteria specified below and in further detail in the PIM, which shall include, *inter alia*, (i) that the proposed Microproject shall be for activities relating to the production of tobacco or hallucinogen plants; and (ii) that the proposed Microproject shall be for investments not proven to be in compliance with applicable law.

10. To provide Microprojects Grants, the Recipient shall enter into a Matching-Grant Agreement with the Beneficiary under terms and conditions satisfactory to the Bank, which shall include the following, as described in further detail in the PIM:

- (a) (i) the obligation of the Beneficiary to contribute, in cash, kind or labor, at least 10% for Communal Microprojects, and 5% for Individual Microprojects, of the projected Microproject costs;
- (ii) the obligation of the Beneficiary to: (A) carry out the Microproject with due diligence and efficiency and in accordance with sound social, environmental, engineering, financial, and managerial practices and in accordance with the provisions of the PIM and the ESMF, and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the resources, operations, and expenditures relating to the Microproject;
- (iii) the requirement that the goods, works, and consultants' services to be financed from the proceeds of the Matching Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the Microproject;
- (iv) the right of the Recipient to: (A) inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, plants, and construction included in the Microproject, the operations thereof, and any relevant records and documents; (B) obtain all information as it, or the Bank, shall reasonably request regarding the administration, operation, and financial condition of Microprojects; and (C) suspend or terminate the right of any Beneficiary to use the proceeds of the Matching-Grant upon failure by the Beneficiary to perform any of its obligations under the Matching-Grant Agreement; and

(b) the Recipient shall exercise its rights under the Matching-Grant Agreement in such manner as to protect its interests and the interests of the Bank and to achieve the Project objective, and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Matching-Grant Agreement or any substantive provision thereof.

Environmental and Safeguard Arrangements

11. The Recipient shall develop, in respect of each Forest Management Plan, each Microproject and each management plan for adjacent lands, prior to the approval of such Forest Management Plan, Microproject, or management plan for adjacent lands, the instruments appropriate for such Forest Management Plan, Microproject or management plan for adjacent lands, as applicable, according to the requirements of the ESMF, which may include any or all of the following:

- (i) an Environmental and Social Impact Assessment (ESIA), acceptable to the Bank, giving details of the status of the natural and social environment and potential risks and adverse impacts thereto, which are specific to the respective Forest Management Plan, Microproject or management plan for adjacent lands, along with proposed mitigation measures;
- (ii) an Environmental Management Plan (EMP), acceptable to the Bank, giving details of measures appropriate or required to manage potential environmental and social risks and mitigate adverse impacts associated with the respective Forest Management Plan, Microproject or management plan for adjacent lands, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EMP; and
- (iii) wherever applicable, a Resettlement Action Plan (RAP), acceptable to the Bank, giving details of a program of actions, measures and policies designed to facilitate the compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP.

12. The Recipient shall ensure that the Project is implemented in accordance with the guidelines, procedures, timetable and other specifications set forth in the ESMF, the Environmental and Social Assessments, the Environmental Management Plans, and the Resettlement Action Plans, as the case may be, and, except as the Bank shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Bank, may adversely and materially affect the implementation of the Project.

Monitoring and evaluation of outcomes/results

13. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed between the Recipient and

the Bank, the carrying out of the Project and the achievement of the objectives thereof, including, as part of Part A of the Project, set up a monitoring and evaluation system designed by the FALMP and amended during project preparation to integrate GEF specificities. The FALMP monitoring and evaluation system will be multi-dimensional, addressing results related to environmental services, community-based monitoring, and indicators of institutional capacity. The monitoring and evaluation system will be run by the monitoring and evaluation Service located within the DFRN which will disseminate monitoring and evaluation outputs (M&E reports and dashboards) to all the stakeholders involved in the Project, particularly: (i) the Beneficiaries; (ii) the *Ministère de l'Agriculture, de l'Élevage et de la Pêche*; and (iii) the donors involved in the sector.

Midterm Review

14. (a) The Recipient shall, not later than July 31 of each year, undertake, in conjunction with the Bank and other interested parties, an annual review of the Project or, in the case of the review to be undertaken not later than 36 months after the Effective Date, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Recipient of its obligations under this Agreement, having regard to the performance indicators agreed between the Recipient and the Bank.

(b) Not later than one month prior to the reviews referred to in subparagraph (a) above, the Recipient shall furnish to the Bank for its comments a report, in such detail as the Bank shall reasonably request, on the progress of the Project and the various matters to be discussed at such reviews.

(c) Following the said reviews, the Recipient shall undertake to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Recipient and the Bank in furtherance of the objectives of the Project.