Development Grant Agreement

(Institutional Reform and Capacity Building Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 18, 2004
DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated May 18, 2004, between REPUBLIC OF SIERRA LEONE (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated March 1, 2004, from the Recipient describing a program designed to establish a functioning local government system and improve overall public financial management (the Program), and declaring the Recipient’s commitment to the execution of the Program;

B) 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 the Association to assist in the financing of the Project;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:
(a) “Decentralization Secretariat” means the secretariat under the Recipient’s MLGCD (as hereinafter defined) referred to in Paragraph A.1 (c) of Schedule 4 to this Agreement;

(b) “DLC Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and the DLC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the DLC Subsidiary Grant Agreement;

(c) “DLC” means Development Learning Center, an autonomous entity created by the Recipient pursuant to Section 5.01 (b) of this Agreement;

(d) “Eligible Categories” means: for Special Account A the Categories (1), (2) (3) and (5); and for Special Account B Categories (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(f) “Environmental and Social Management Framework” or “ESMF” means the framework adopted by the Recipient on Jan 13, 2004, describing the environmental planning, review, approval, mitigation, monitoring, training, technical assistance, and institutional measures under the Project referred to in Paragraph E of Schedule 4 to this Agreement;

(g) “Environmental and Social Screening Form” means a screening form included in the ESMF, for environmental and social impact assessment and audit of Subprojects under Part A.4 of the Project, to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(h) “Establishment Secretary’s Office” or “ESO” means the Unit under the Recipient’s Office of the President referred to in Paragraph A.1 (e) of Schedule 4 to this Agreement or any successor thereto;

(i) “Financial Management Manual” means the manual referred to in Paragraph A.2 of Schedule 4 to this Agreement and adopted by the Recipient pursuant to the provisions of Section 6.01 (a) of this Agreement containing, inter alia, detailed arrangements regarding the financial management of the Project;
(i) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “ICRBP Coordinating Unit” means the Project Coordinating Unit referred to in Paragraph A.1 (a) of Schedule 4 to this Agreement;

(k) “LGDG Operational Manual” means the manual referred to in Paragraph A.2 of Schedule 4 to this Agreement and adopted by the Recipient pursuant to the provisions of Section 6.01 (a) of this Agreement, containing detailed arrangements regarding the selection and implementation of Subprojects;

(l) “LGDG” means Local Government Development Grants provided under the Grant to the Local Councils (as hereinafter defined) in accordance with the provisions of Paragraphs C and D of Schedule 4 to this Agreement for use by the Local Councils in accordance with the provisions of Paragraphs C and D of Schedule 4 and of the LGDG Operational Manual (as hereinafter defined), for implementing Subprojects (as hereinafter defined);

(m) “Local Council” means the local government of a Locality, and is the highest political authority in the locality and shall have legislative and executive powers regulated under the Local Government Act;

(n) “Local Government Act” means the Act enacted by the Recipient on February 25, 2004, which includes, inter alia, a new assignment of functional responsibilities, revenue authorities, and an accountability framework across various levels of government, including in respect of Local Councils;

(o) “Locality” means an administrative unit of the Recipient as defined by the Local Government Act;

(p) “MLGCD” means the Ministry of Local Government and Community Development of the Recipient;

(q) “MoF” means the Ministry of Finance of the Recipient;

(r) “Participation Agreements” means any of the agreements referred to in Paragraph D of Schedule 4 to this Agreement;

(s) “PFM Reform Implementation Unit” means the Unit under the Recipient’s MoF referred to in Paragraph A.1 (d) of Schedule 4 to this Agreement;
(t) “PIM” means the Project Implementation Manual referred to in Paragraph A.2 of Schedule 4 to this Agreement and adopted by the Recipient pursuant to the provisions of Section 6.01 (a) of this Agreement, containing detailed arrangements regarding the implementation of the Project and operation of different activities under it;

(u) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(v) “Project Performance Indicators” means the indicators set forth in Schedule 5 to this Agreement;

(w) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 18, 2003, and on behalf of the Recipient on December 30, 2003;

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

(y) “Resettlement Policy Framework” means the framework dated January 11, 2004, outlining the modalities for land acquisition, resettlement and rehabilitation under Part B of the Project;

(z) “Special Accounts” means the accounts referred to in Part B of Schedule 1 to this Agreement;

(aa) “Steering Committee” means the Committee referred to in Paragraph A.1 (b) of Schedule 4 to this Agreement; and

(bb) “Subproject” means an eligible local public infrastructure investment financed through a LGDG from the proceeds of the Grant under Part A.4 of the Project, and which satisfies the criteria set forth in this Agreement, and “Subprojects” means, collectively, all such Subprojects.
ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000) (the Grant).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals for Local Government Development Grants for the benefit of a Local Council, to meet the reasonable cost of goods, works and services required for Subprojects to be financed under Part A.4 of the Project.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to Paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.05 of this Agreement.
(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. Commitment charges shall be payable semiannually on March 15 and September 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (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 Part A of the Project through MLGCD, Part B of the Project through MoF, and, except as provided in paragraph (b) of this Section, Part C of the Project, through the Establishment Secretary’s Office, all with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial and environmental practices, and shall provide, promptly, the funds, facilities, services and other resources required for the Project.

(b) For purposes of carrying out Part C of the Project, the Recipient shall make available to DLC, upon its establishment, the proceeds of the Grant allocated from time to time to the categories in the table set forth in paragraph 1 of Schedule 1 to this Agreement under the DLC Subsidiary Grant Agreement, all under terms and conditions which shall have been approved by the Association, which shall inter alia, include provisions to effectively transfer the ESO’s DLC-related obligations to the DLC and to facilitate the commencement by the DLC of its operations.

(c) The Recipient shall exercise its rights under the DLC Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the said Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraphs (a), (b) and (c) of this Section and except as the Recipient and the Association 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 Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without any limitation upon the provisions of Section 3.01 of this Agreement, the Recipient shall, for the purpose of making available its counterpart contribution to the financing of the Project:

(a) open and maintain in Leones in a commercial bank acceptable to the Association, a Project Account for the Project;

(b) promptly thereafter deposit into the Project Account an initial contribution equivalent to $160,000;

(c) thereafter, replenish the Project Account quarterly in each year of Project implementation with such amounts as shall be required as the Recipient’s counterpart funding, which is not otherwise financed out of the proceeds of the Grant; and

(d) ensure, that the amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of works, goods and services for the Project not otherwise financed out of the proceeds of the Grant.

Section 3.04. The Recipient shall make available the proceeds of the Grant allocated to Category (4) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, for carrying out Part A.4 of the Project under an agreement (the Participation Agreement) to be entered into between the Recipient and each eligible Local Council, under terms and conditions satisfactory to the Association, which shall include those set forth in Paragraph D of Schedule 4 to this Agreement.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall take steps to:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such
later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and

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

Section 3.06. The Recipient shall promptly notify the Association of any amendments made to the Local Government Act, Public Budgeting and Accounting Act or related subsidiary legislation that may materially affect the implementation of the Project.

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.
(c) For all expenditures with respect to which withdrawals from the Grant Account were Report-based disbursements or were made on the basis of statements of expenditure, the Recipient shall:

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

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association’s representatives to examine such records; and

(iv) ensure that such 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 or the reports referred to in Part A.5 of Schedule 1 to this Agreement, as the case may be, submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in Paragraphs F and G of Schedule 4 to this Agreement, the Recipient shall, prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Financing and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.
(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

(b) the Recipient shall: (i) have failed to establish the DLC within 12 months of the Effective Date of this Agreement under terms and conditions satisfactory to the Association, such terms and conditions to include, *inter alia*, that the DLC shall have been established as a financially autonomous entity, with appropriate physical facilities, key staff and resources; (ii) have failed to enter into an agreement with DLC on terms and conditions satisfactory to the Association (the DLC Subsidiary Grant Agreement) to effectively transfer the ESO’s existing DLC-related obligations to the DLC and facilitate the commencement by the DLC of its operations; and (iii) have amended, suspended, abrogated or waived the relevant Act establishing the DLC so as to affect materially and adversely the ability of the DLC to perform any of its obligations under the DLC Subsidiary Grant Agreement.

(c) that the Local Government Act shall have been amended, suspended, abrogated, repealed or waived or not enforced in such a manner so as to affect, in the opinion of the Association, the achievement of the objectives of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Recipient; and
(b) any event specified in paragraph (b) and (c) Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Recipient has adopted the PIM, the Financial Management Manual and the LGDGs Operational Manual referred to in Paragraph A.2 of Schedule 4 to this Agreement, in form and substance satisfactory to the Association;

(b) the Recipient has appointed: (i) a Procurement Specialist under the IRCBP Coordinating Unit; (ii) the Capacity Building Manager for Decentralization Secretariat; (iii) an independent qualified auditor; all in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(c) the Recipient has opened the Project Account and the initial contribution referred to in Section 3.03 (b) of this Agreement has been deposited therein.

Section 6.02. The date ninety days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for finance 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:

The Minister of Finance
Ministry of Finance
George Street
Freetown
Sierra Leone

Cable address: MINFIN
Facsimile: (232) 22228472
(232) 22225826

Freetown

For the Association:

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

Cable address: Telex: Facsimile:

INDEVAS 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SIERRA LEONE

By Ibrahim M. Kamara
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Callisto E. Madavo
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated in SDR Equivalent</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>1,450,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>Goods</td>
<td>3,100,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>Consultants’ Services, Training and Audits</td>
<td>6,550,000</td>
<td>100%</td>
</tr>
<tr>
<td>Local Government Development Grants</td>
<td>4,050,000</td>
<td>100%</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>950,000</td>
<td>90%</td>
</tr>
<tr>
<td>Refunding of Project Preparation Advance</td>
<td>450,000</td>
<td>Amount due pursuant to Section 2.02 (b) of this Agreement</td>
</tr>
<tr>
<td>Unallocated</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,800,000</td>
<td></td>
</tr>
</tbody>
</table>

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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 “Operating Costs” means the incremental expenses incurred by the Recipient on account of the Project implementation, management and monitoring, including, inter alia, printing, utility, maintenance of office equipment, office rental, travel, but excluding salaries of civil servants; and

(d) the term “Training” means all costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) Category (3) for Part B.4 of the Project until the Recipient has enacted a public procurement law in form and substance satisfactory to the Association; (c) Category (4) for a LGDG under Part A.4 of the Project until the relevant Local Council has been constituted in accordance with the Local Government Act; and (d) for Satellite under Part C (2) (b) of Schedule 2 of the Project for the purposes of purchasing and installing a small aperture terminal (VSAT – satellite communication terminal) for the DLC until the DLC is established under terms and conditions satisfactory to the Association.

4. In respect of Special Account A, the Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing $150,000 or less equivalent; (ii) works under contracts costing less than $200,000 equivalent; (iii) services from consultant firms under contracts costing less than $100,000 equivalent; (iv) services from individual consultants under contracts costing less than $50,000 equivalent; and (v) all training, audits, and Operating Costs under such terms and conditions as the Association shall specify by notice to the Recipient.

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

B. Special Accounts

1. Upon receipt of notification from the Association allowing the establishment of the Special Accounts, the Recipient may open and maintain in Dollars in a commercial bank acceptable to the Association: (a) a special deposit account (Special Account “A”) to be managed by the IRCB Project Coordinating Unit, for purposes of depositing the corresponding proceeds of the Grant for Parts A.1, A.2, A.3, A.5, B, C, and D of the Project; and (b) a special deposit account (Special Account “B”), to be managed by MoF, for the purposes of depositing the corresponding proceeds of the Grant for Part A.4 of the Project, both on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

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

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

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

3. Payments out of the respective Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the respective Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

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

   (a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of Schedule 1 of this Agreement adequately provide the information required for Report-based Disbursements;
(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Sections 4.01 (b) (ii) and 4.02 (b) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Sections in respect of the audit of: (i) the records and accounts for the respective Special Accounts; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the respective 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 Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in any 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 Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or
for cancellation in accordance with the provisions of this Agreements, including the General Conditions.
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 in respect of Special Account A an amount of $1,500,000, to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $750,000 until the aggregate amount of withdrawals from the Grant Account allocated to Categories (1), (2), (3) and (5), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Condition shall be equal to or exceed the equivalent of SDR 4,000,000.

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

   (b) For replenishment of the respective Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.5 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the requested 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 respective Special Account for Eligible Expenditures. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.
3. The Association shall not be required to make further deposits into any Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective 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 Grant Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into any Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant or the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account or the Grant Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 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 to establish a functioning local government system and improve inclusiveness, transparency, and accountability of overall public financial management at all levels of government.

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

Part A: Decentralization and Capacity Building

1. Strengthening the policy advisory and strategic management role of the Decentralization Secretariat, and of the Local Government Finance Department under the MoF through the provision of technical advisory services and equipment.

2. Provision of start-up investment in local government administrative infrastructure through the provision of office infrastructure, communications equipment, transport, as well as orientation training for councilors and their staff.

3. Management by the Decentralization Secretariat of a capacity building program to support decentralization through:

   (a) preparation of a framework for the capacity building program, including a capacity building needs assessment; and

   (b) based on the aforementioned assessment, development of a framework for the production and delivery of training with the purpose of building up the following four sets of core capacities: (i) the capacity of new local councils to respond to development needs of their locality; (ii) the capacity of local councils to generate, increasingly over time, substantial, sustainable and autonomous own-source revenues, and to manage these effectively, in combination with fiscal transfers from central government; (iii) the capacity of central government ministries and agencies to respond to the institutional transformation and to develop their new policy, monitoring, and coaching roles; and (iv) the capacity of communities to engage Local Councils and to demand inclusive, transparent and accountable local governance.

4. Establishment of a mechanism to provide LGDGs to eligible Local Councils, to enable them to carry out investment projects such as, inter alia, construction of water
schemes, schools, clinics, and feeder roads, pursuant to the LGDG Operational Manual (the Subprojects).

5. Carrying out periodic monitoring and evaluation of the objectives and activities under Part A of the Project.

Part B: Public Financial Management Reform

1. Improving the legal and regulatory framework for public financial management through the financing of technical advisory services to assist the PFM Reform Implementation Unit to: (a) develop and disseminate a strategy for public financial management reform; (b) propose revisions to the draft Government Budgeting and Accounting Act and associated regulations; and (c) design a new financial management process and system.

2. Designing and implementing a new integrated financial management information system (IFMIS) to replace the current financial management and accounting system (FMAS).

3. Improving the Recipient’s medium term expenditure framework including provision of technical advisory services to: (a) prepare a national budget based on improved program costing, integration of the development and recurrent budgets; and (b) strengthening the capacity of the line ministries and Local Councils to prepare the budget in line with policy objectives and performance targets.

4. Supporting the ongoing public procurement reform process through technical advisory services, dissemination and training programs.

5. Preparing and carrying out an action plan for implementing internal audit at the central and local levels of government.

6. Carrying out monitoring and evaluation of the objectives and activities under Part B of the Project.

Part C: Development Learning Center (DLC)

1. Establishment of DLC as an independent legal entity under the laws of the Recipient.
2. (a) Construction of the DLC facility including a videoconference room with 30-person capacity, a computer room outfitted for 30 computer stations (hardware, software and Internet hook-up), a public information center, a classroom, and a technical and administrative center, electrical and telephone installations and other relevant equipment; and (b) provision of satellite.

2. Assist the DLC to initiate its operations including: (a) financing operational costs; (b) purchasing of a light vehicle to facilitate transport and marketing services; (c) providing technical advisory services, recruitment of key staff, staff training; and (d) establishing a financial management system to include, *inter alia*, the preparation of annual audits.

3. Carrying out monitoring and evaluation objectives and activities under Part C of the Project.

**Part D:** Project Coordination

Carrying out of Project coordination activities, including: (a) coordinating the preparation of annual work plans, procurement plans; (b) ensuring project implementation is in compliance with the Financial Management Guidelines and the Procurement Guidelines of IDA and the Financial Covenants of this Agreement; (c) carrying out, commissioning, or coordinating monitoring and evaluation activities of related to Project implementation; (d) submission of Project reports; and (e) carrying out of a communications program to disseminate the implementation progress of the Project.

* * *

The Project is expected to be completed by June 30, 2008.
SCHEDULE 3

Procurement

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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

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

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

   (a) Grouping of contracts

      To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost $150,000 and $500,000, equivalent or more each, respectively.

   (b) Notification and Advertising

      Each invitation to bid for each contract estimated to cost $200,000 equivalent or more shall be advertised in accordance with the procedures set forth in paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding
(a) Works estimated to cost more than $50,000 and less than $500,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost more than $30,000 and less than $150,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. **Procurement from UN Agencies**

   Goods, estimated to cost less than $100,000 equivalent per contract, may be procured from Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. **Procurement of Small Works**

   Works estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

**Part D: Review by the Association of Procurement Decisions**

1. **Procurement Planning**

   Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association 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 Association, and with the provisions of said paragraph 1.
2. **Prior Review**

   With respect to each contract for works estimated to cost the equivalent of $200,000 or more, and goods estimated to cost the equivalent of $150,000 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

Part A:  General

Consultants’ services shall be procured in accordance with the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

Part B:  Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: The short list of consultants for services, estimated to cost less than $200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines; specialized technical assistance services must be procured on the basis of international short-list.
Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audit, procurement audit and civil engineering for works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. 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 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services which meet the requirements of paragraphs 3.8 through 3.11 of the Consultant Guidelines may, with the Association’s prior agreement, be procured through single source selection procedures.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association, for its review and approval, prior to the issuance to consultants of any requests for proposals. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as updated from time to time, as shall have been approved by the Association.
2. **Prior Review**

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

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. **Post Review**

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

Implementation Schedule

A. Overall Project Implementation

1. (a) IRCBP Coordinating Unit: For the purposes of carrying out overall Project coordinating activities as referred to in Part D of Schedule 2 to this Agreement, the Recipient, through MoF, shall maintain the IRCBP Coordinating Unit, which shall report to the Steering Committee, with functions, structure, and composition satisfactory to the Association.

(b) Steering Committee shall be comprised of the Financial Secretary (Chair), the Establishment Secretary, the Permanent Secretary of the MLGCD with the principal function of monitoring the implementation of the Project.

(c) Decentralization Secretariat: For the purposes of carrying out Part A of the Project, the Recipient, through MLGCD, shall maintain the Decentralization Secretariat with functions, structure, and composition satisfactory to the Association, such Secretariat to carry out its functions in coordination with MoF’s Local Government Finance Department.

(d) PFM Reform Implementation Unit: For the purposes of carrying out Part B of the Project, the Recipient, through MoF, shall maintain the PFM Reform Implementation Unit with functions, structure, and composition satisfactory to the Association.

(e) Establishment Secretary’s Office: Except as provided in Paragraph E of this Schedule, prior to the establishment of DLC as an independent legal entity, ESO shall be responsible for the carrying out of Part C 2 (a) of the Project. To this effect, the Recipient shall ensure that ESO is provided with adequate staff and resources. Except as the Recipient and the Association shall agree, the ESO shall remain responsible for the completion of all activities undertaken by it prior to the DLC’s establishment.

2. Except as the Association shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, requirements and procedures set out in the Project Implementation Manual, the Financial Management Manual and the LGDGs Operational Manual; and (b) not amend or waive, or permit to be amended or waived, any of said Manuals or any provisions thereof, in a manner which, in the opinion of the Association may materially and adversely affect the implementation of the Project.
B. Eligibility Criteria for Local Councils

For a Local Council to access LGDG, it shall be required to satisfy the minimum conditions set forth in the LGDGs Operational Manual.

C. Eligibility Criteria for Subprojects and Terms and Conditions for Financing

To be eligible for financing, a Subproject under Part A.4 of the Project shall be required to satisfy requirements of eligibility specified in the LGDGs Operational Manual.

D. Participation Agreements

For carrying out Subprojects under Parts A.4 of the Project, the Recipient shall conclude an agreement with the each Local Council (hereinafter called the Participation Agreement), whereby the Recipient shall agree to provide LGDGs from the proceeds of the Grant, on a non-reimbursable basis, on terms and conditions satisfactory to the Association, including the eligibility criteria set forth in Paragraphs C and D of this Schedule and details of disbursement schedules and procurement procedures as set forth in Schedule 3 of this Agreement, details of any further safeguards as may be needed for the management of the environment, and the following additional terms and conditions:

   (a) require the MoF to ensure the execution of the Subprojects by the local councils with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records;

   (b) require that the goods, works and services to be financed from the proceeds of the relevant Local Investment Grant shall be procured in accordance with the provisions of this Agreement and used exclusively in carrying out the Subproject concerned.

   (c) the right of the Recipient to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants included in the relevant Subproject, the operations thereof and any relevant records and documents;

   (d) obtain from the Local Councils all such information as the Association shall reasonably request relating to the implementation of a Subproject, and the performance of the Government of the Locality executing the Subprojects; and
(e) suspend or terminate the right of the Government of the Locality to use the proceeds of the Grant under the Project upon failure by such Local Councils to perform its obligations under the Participation Agreement.

(f) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of any Subproject under Part A.4 of the Project, or the performance by the relevant Locality of its obligations under the relevant Participation Agreement;

(g) the Recipient shall exercise its rights under the relevant Participation Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Participation Agreements, or any provision thereof.

(h) the stipulation that in case of conflict between any Participation Agreement and this Agreement, the latter shall prevail.

E. Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework

1. The Recipient shall ensure that: (a) all measures necessary for the carrying out of the ESMF are taken in a timely manner; and (b) progress reports referred to in Paragraph G (2) of this schedule shall include adequate information on monitoring of the measures defined in EMP.

2. The Recipient shall cause the eligible Local Councils:

   (a) prior to commencing any Subproject and when required under the ESMF, carry out an environmental and social impact assessment in accordance with the Environmental and Social Screening Form described in the ESMF, and in a form satisfactory to the Association;

   (b) in the event that an environmental and social impact assessment of a Subproject determines that such a Subproject, if carried out, would have in the opinion of the Association a potential for negative environmental impact, not approve such a Subproject until an appropriate action under the EMP has been discussed and agreed upon by the Recipient and the Association to mitigate such potential negative impact; and

   (c) thereafter cause the relevant Locality to carry out such agreed management plan referred to in sub-Paragraph (b) above.
3. Prior to commencement of a Subproject involving involuntary resettlement or involuntary acquisition of land, the Recipient shall cause a Local Council to prepare and implement appropriate resettlement plans for compensation, resettlement and rehabilitation, in accordance with the Resettlement Policy Framework, and in form and substance satisfactory to the Association.

F. Monitoring and Reporting

The Recipient shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph F (a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by July 31 of each year, or such later date as the Association shall request, the report referred to in Paragraph F (b) of this Schedule, and thereafter act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement such measures as may have been agreed between the Recipient and the Association in furtherance of the objectives of the Project.

G. Annual Review

1. The Recipient shall carry out, jointly with the Association, not later than July 31 of each year a comprehensive annual review aimed at: (i) documenting progress toward achieving the Project objectives; (ii) identifying and resolving obstacles to Project implementation; (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review; and (iv) an overall evaluation of the Project against the Project Performance Indicators.

2. The Recipient shall not later than four weeks prior to the annual review referred to in Paragraph G (1) above, furnish to the Association an annual report, in such detail as
the Association shall reasonably request, including an evaluation of the progress achieved in the Project implementation.

3. Promptly after completing the annual review, the Recipient shall take all measures required to fulfill the recommendations arising out of said review for the efficient completion of the Project and the achievement of the objectives thereof, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association’s comments thereon.
SCHEDULE 5

Performance Indicators

For the purpose of this Agreement, the performance indicators to be used for the Project implementation are as follows:

(a) 19 elected local councils are able to make development plans that respond to local priorities through a participatory process and are able to prepare a budget consistent with Section 67 of Local Government Act 2004.

(b) 14 of the 19 elected local councils meet the transparency and the financial management accountability requirement as per Local Government Act 2004 (Section 107, 81, 105).

(c) 14 of the 19 elected councils are able to deliver all services devolved to them at the levels of the year before devolution.

(d) 90% donor funding is captured in the fiscal reports using government budget classifications by program and object of expenditures.

(e) 95% of Vote Controllers submit regular in-year and annual budget execution reports to MoF and the relevant minister on time.

(f) In-year reports are published regularly for tracking poverty expenditure by function.

(g) Public Procurement Law enacted, embracing the principles of transparency, accountability and efficiency.

(h) 90% of funds provided for procurement are effectively utilized.
SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:
   (a) The term “Borrower” is modified to read “Recipient”.
   (b) The term “Credit” is modified to read “Grant”.
   (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.
   (d) The term “Credit Account” is modified to read “Grant Account”.
   (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:
   (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

   “Section 4.02  Currencies in which Commitment Charges are Payable

   (a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

(c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement.”

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement.”

5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

6. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

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