Gef trust fund grant number Tf022458

(Energy and Water Sector Reform and Development Project) between Republic of Cape Verde and International Bank for Reconstruction and Development

Agreement, dated June 3, 1999, between Republic of Cape Verde (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, authorized the first replenishment of the GEF Trust Fund and appointed the Bank as Trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) 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 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 No. 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project and, by an agreement of even date herewith between the Recipient and the Association, the Association has agreed to provide such assistance in an aggregate principal amount equivalent to twelve million five hundred thousand Special Drawing Rights (SDR 12,500,000) (the Credit); and

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

Now therefore the parties hereto hereby agree as follows:

Article I

General Conditions; Definitions

Section 1.01. *(a)* The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, as amended through December 2, 1997, with the modifications set forth in paragraph *(b)* of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18), and (20), 2.02, and 2.03;

(iii) Section 3.01;

(iv) Section 4.01 and the first sentence of Section 4.09;

(v) Article V;

(vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), and (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) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term 'Special Drawing Rights' and the symbol 'SDR' mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 *(8)* and 6.02 *(f)* thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;

(iii) the term "Recipient," wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;

(v) the term "Loan" and "loan," wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account," wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vii) a new subparagraph *(q)* is added after subparagraph *(p)* in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Advisory Committee" means the committee consisting of representatives of the Borrower's public sector, its private sector, regulatory institutions, and water and energy consumers, to be established pursuant to Section 6.01 (d) of the Development Credit Agreement and referred to in paragraph 1 (a) of Schedule 4 to this Agreement, which will be responsible for advising the PMU (as hereinafter defined) on cross-sectoral issues;

(b) "BCV" means *Banco de Cabo Verde*, the Borrower's Central Bank, established by the Borrower's Decree-Law (*Decreto-Lei*) No. 42/93, dated July 15, 1993;

(c) "Cape Verde Escudo" and "C.V. Esc." mean the currency of the Borrower;

(d) "Development Credit Agreement" means the Agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997, as applied to such agreements and all schedules and agreements supplemental to the Development Credit Agreement;

(e) "ELECTRA" means *Empresa Pública de Electricidade e Agua, E. P.*, a public utility for power and water supply, established and operating pursuant to its statutes enacted by Decree of the Council of Ministers No. 37/82 of the Borrower, dated April 17, 1982;

(f) "Environmental Management Plan" means the environmental management plan included in the eighth chapter of the environmental impact assessment dated November 11, 1998;

(g) "INGRH" means the *Instituto Nacional de Gestão dos Recursos Hídricos*, the Borrower's national institute for water resource management, established and operating pursuant to its statutes enacted by *Decreto Regulamentar No. 126/92* of the Borrower, dated November 16, 1992;

(h) "Initial Deposit" means an amount in C.V. Esc. equivalent to U.S. dollars 100,000 referred to in Section 3.04 (b) of this Agreement;

(i) "MAAA" means *Ministério da Agricultura, Alimentação e Ambiente*, the Borrower's Ministry of Agriculture, Food and Environment;

(j) "MCIE" means *Ministério do Comércio, Indústria e Energia*, the Borrower's Ministry of Trade, Industry and Energy;

(k) "Midterm Review" means the midterm review referred to in paragraph 4 of Schedule 4 to this Agreement;

(l) "MIH" means *Ministério das Infraestructuras e Habitação*, the Borrower's Ministry of Infrastructure and Housing;

(m) "OVPM" means the Borrower's Office of the Vice Prime Minister;

(n) "PMU" means the Project Management Unit within OVPM which will be responsible for the overall implementation of the Project, established and operating under the Borrower's Decree No. 40-A/98 dated August 27, 1998 and referred to in paragraph 1 of Schedule 4 to this Agreement;

(o) "Point of Sale" means that the Borrower has (i) carried out a valuation of Electra; *(ii)* prepared a prospectus or dossier for Electra; *(iii)* solicited offers for Electra directly or through advertisement(s) in appropriate newspapers or other appropriate forms of advertisement; *(iv)* evaluated any such offers and selected successful bidders(s); and *(v)* invited the successful bidder(s) to enter into good faith negotiations;

(p) "Project Account" means the account referred to in Section 3.04. of this Agreement;

(q) "Project Coordinator" means the Project Coordinator who is also the Director of the PMU referred to in paragraph 1 of Schedule 4 to this Agreement;

(r) "Project Implementation Manual" means the manual referred to in paragraph 2 of Schedule 4 to this Agreement containing, inter alia, work plans, training plans, the monitoring and performance indicators referred to paragraph 4 (a) of Schedule 4 and procedures to be used for the purposes of implementation of the Project, as they may be amended from time to time, in consultation with the Association, and such term includes any schedules to the Project Implementation Manual;

(s) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 7, 1997 and October 20, 1997 between the Borrower and the Association;

(t) "SEPA" means the *Secretariado Executivo Para o Ambiente,* the Borrower's Executive Secretariat for Environment within MAAA; and

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

Article II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in BCV on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

Article III

Execution of the Project

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

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

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

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

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) 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 maintain an account (the Project Account) in C.V. Esc. in BCV on terms and conditions satisfactory to the Bank;

(b) promptly thereafter, deposit the Initial Deposit into such account to finance the Recipient's contribution to the Project;

(c) deposit into the Project Account in January, April, July and October of each year, until the completion of the Project, such amounts as shall be required to replenish in a timely manner the Project Account in an amount equal to at least the expected expenditures of the following quarter; and

(d) use the Project Account funds exclusively to finance expenditures under the Project.

Article IV

Financial Covenants

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

(b) The Recipient shall:

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

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

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

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

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

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

(*iii*) enable the Bank's representatives to examine such records; and;

(*iv*) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Article V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the GEF Grant Agreement within the meaning of Section 12.01 (*c*) of the General Conditions:

(*a*) the Recipient has established the Project Account and deposited therein the Initial Deposit referred to in Section 3.04 (b) of this Agreement; and

(*b*) all conditions precedent to the effectiveness of the Development Credit Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

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

Article VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of the Recipient at the time responsible for finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Office of the Vice Prime Minister

C.P. 30

Praia

Cabo Verde

Cable address:	Telex:
COORDENACAO	608 MCECV

Cape Verde

For the Bank:

International Bank for Reconstruction and Development, acting as an Implementing Agency of the Global Environment Facility

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address:	Telex:
INDEVAS	248423 (MCI) or
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 Cape Verde, By /s/ *Amilcar Spencer Lopes*, Authorized Representative

International Bank For Reconstruction And Development acting as an implementing agency of the Global Environment Facility, By/s/ *Jean-Louis Sarbib*, Regional Vice President,Africa

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works for Part B.1	2,100,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods for Part B.2	550,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and training:		100%
(a) for Part B.1	300,000	
(b) for Part B.2	100,000	
(4) Unallocated	350,000	
TOTAL	3,400,000	

2. For the purposes of this Schedule:

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

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for (a) expenditures prior to the date of this Agreement; and (b) expenditures under Category (1) unless and until Electra has been reorganized in a manner satisfactory to the Bank and has entered into a project agreement with the Bank setting forth, inter alia, its rights and obligations with respect to the carrying out of Part B.1 of the Project.

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 for goods, works and services under contracts costing less than $100,000 equivalent each, under such terms and conditions as the Bank shall specify by notice to the Recipient.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to (i) improve the quality, and extend the coverage, of electricity, potable water, and sanitation systems in the Borrower's territory; (ii) reduce the costs of water and power services; (iii) increase operational and end-use efficiency in the power and water sectors; (iv) remove restrictions on the development of clean, renewable energy sources; and (v) foster the sound management of water resources.

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

Part A: Power Sector Reform and Development

1. Carrying out the privatization of ELECTRA including, inter alia, assisting the Borrower with the evaluation of bids and contracts in respect of such privatization through the provision of technical advisory services.

2. Strengthening the institutional, legal and regulatory framework for the power sector, through the provision of technical advisory services, training of personnel, studies and the acquisition of vehicles and equipment.

3. Design and implementation of a program to strengthen the Borrower's capacity to promote energy efficient equipment and demand-side management of the energy sector, through the provision of technical advisory services, training of personnel and studies and the acquisition of equipment.

4. Strengthening the capacity of MCIE to (i) formulate energy sector policies and strategies; (ii) coordinate and monitor the development of the energy sector; and (iii) prepare and update statistical data, through the provision of technical advisory services, training of personnel, studies, and the acquisition of vehicles and equipment.

5. Extension of the supply of electricity to about 4000 new customers in peri-urban and secondary urban centers, through the provision of technical advisory services and the acquisition of equipment.

6. Design and implementation of a program to improve the negative environmental impacts of power generation and desalinated water production facilities, through the provision of technical advisory services and the installation and acquisition of equipment and related works.

Part B: Renewable Energy Promotion and Development

1. Promotion and development of renewable energy resources, including the extension of up to 7.8 MW of grid-connected wind farms in Praia, Mindelo and Sal, through the provision of technical advisory services, training of personnel, studies, and the acquisition and installation of equipment.

2. Installation of decentralized wind and photovoltaic public and individual systems for community and household use, through the provision of technical advisory services, training of personnel, studies, and the acquisition and installation of equipment.

Part C: Water Sector Reform and Development

1. Reform and development by the Borrower of the water sector, including:

(a) reform of the urban water production and supply systems;

(*b*) establishment of autonomous municipal enterprises to improve water distribution and provide wastewater treatment services;

(*c*) facilitation of private sector participation in the ownership and operation of the said autonomous municipal enterprises;

(*d*) strengthening of the legal and regulatory framework for the water sector, all through the carrying out of studies, the acquisition of vehicles and equipment, and the provision of training and technical advisory services.

2. Extension and rehabilitation by MIH of the primary and secondary water distribution network and water production systems in Praia, Mindelo and Assomada and other secondary centers, through the acquisition of equipment, civil works, and the provision of technical advisory services.

3. Strengthening of the operational and research capabilities of INGRH, including its capacity to formulate sound water policy and develop policies for efficient water end-use and water resources regulation and management, through the provision of technical advisory services and training, and the acquisition of vehicles and equipment.

Part D:Sanitation Development

Carrying out by MIH of (i) the extension of sanitation systems in Praia; (ii) the improvement of sanitation systems in Assomada; (iii) the design and construction of wastewater reuse systems in Praia; and (iv) sanitation studies, through the acquisition of equipment, civil works, and the provision of training and technical advisory services.

Part E:Project Coordination and Management

1. Strengthening of the capacity of the PMU to coordinate, supervise and monitor the execution of the Project, through the provision of training of its personnel, studies, technical advisory services, auditing services and the acquisition of vehicles and equipment.

2. Design and implementation of an environmental management program with the collaboration of SEPA, through the provision of training of its personnel, studies, technical advisory services, and acquisition of equipment.

* * *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A:General

1. Goods and works shall be procured in accordance with (a) 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, and in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B:International Competitive Bidding (ICB)

1. Except as otherwise provided in Part C of this Section, goods 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(*a*) Prequalification

Bidders for contracts for works estimated to cost US$1,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(*b*) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost US$200,000 equivalent or more each.

Part C:Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than US$50,000 equivalent per contract, up to an aggregate amount not to exceed US$350,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D:Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the 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 services 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 ICB contract estimated to cost the equivalent of US$100,000 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

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-Based Selection

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for auditing, estimated to cost less than US$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US$100,000 or more, but less than the equivalent of US$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2*(a)*) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of US$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2*(a)*) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of US$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

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 Program

1. PMU and Advisory Committee

(a) The Borrower shall maintain the PMU and the Advisory Committee until the completion of the Project.

(b) The PMU shall maintain, until the completion of the Project, a Project Coordinator and competent staff in adequate numbers, all with terms of reference, qualifications and experience acceptable to the Association, and an accountant who shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement. The Project Coordinator shall be responsible for the supervision and coordination of the day-to-day management of the Project. The accountant shall, inter alia, assist the Borrower in the carrying out of the obligations set forth in Section 4.01 *(a)* of this Agreement.

2. Project Implementation Manual

The Borrower shall carry out the Project in accordance with procedures set out in the Project Implementation Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. Progress Reports

The Project Coordinator shall be responsible for the preparation and the transmittal to the Association, promptly after the end of each calendar semester and in any case not later than January 31 and July 31 of each year, of a detailed report regarding progress in carrying out the Project during the preceding calendar semester.

4. Performance Indicators and Midterm Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators agreed upon between the Borrower and the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Association, not later than December 31, 2001, the Midterm Review. The Midterm Review shall cover, among other things:

(i) progress made in meeting the Project's objectives;

(ii) overall Project performance as measured against Project performance indicators;

(iii) implementation of the Program and, in particular, its privatization and regulatory components; and;

(iv) quality of the advisory services under the Project;

(c) at least three (3) weeks prior to the Midterm Review, furnish to the Association a report describing the status of the items listed in paragraph (a) above and of Project implementation generally; and

(d) not later than four (4) weeks after the Midterm Review, prepare an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

5. Other Covenants

(a) The Borrower shall, in accordance with the provisions of Section II of Schedule 3 to this Agreement:

(i) not later than March 31, 2000, select private concessionaires for the commercialization of public and private photovoltaic and wind systems; and;

(ii) not later than June 30, 2000, execute concession agreements, in form and substance satisfactory to the Association, with such private concessionaires.

(b) The Borrower shall, not later than December 31, 2001, execute concession agreements, in form and substance satisfactory to the Association, with the municipality of Assomada for the exploitation of water and sanitation systems in the municipality of Assomada.

(c) The Borrower shall, not later than December 31, 2002, execute agreements, in form and substance satisfactory to the Association with private concessionnaires for the future maintenance and exploitation of public photovoltaic systems.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to US$400,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US$200,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

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

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i)For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii)Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the

Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph *(a)* of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 *(b) (ii)* of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after, and to the extent that the Bank shall have been satisfied that, all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. *(a)* If the Bank shall have determined at any time that any payment out of the Special Account

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

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

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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