

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF050706 BUL

Global Environment Facility Trust Fund Grant Agreement

(Wetlands Restoration and Pollution Reduction Project)

between

REPUBLIC OF BULGARIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated June 20, 2002

GEF TRUST FUND GRANT NUMBER TF050706 BUL

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT
AGREEMENT**

AGREEMENT, dated June 20, 2002, between the REPUBLIC OF BULGARIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in

respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 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 resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and 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) by an agreement to be entered between the Recipient and the European Commission (the EC), the EC has agreed to make a grant available to the Recipient in the framework of the EC Phare Program in an amount of 1,800,000 to assist in financing Part B of the Project on the terms and conditions set forth in the Phare Grant Agreement (the Phare Grant Agreement);

(F) by an agreement dated May 27, 2002, between the Russe Business Support Center of the Recipient and the Republic of Austria, the Republic of Austria has agreed to provide an amount of 433,000 to assist in financing Part B of the Project (the Austrian Agreement); and

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

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999), 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), (5), (6), (7) (8), (9), (10), (14), (17), (18), and (21), and Sections 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and Section 4.06;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (k), (l), (m), (n), (o), and (p), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) a new paragraph (22) 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 (6), 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 “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (v) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term “Loan Account”, wherever used in the General Conditions,

means the GEF Trust Fund Grant Account, an account opened by the Bank on its books in the name of the Recipient to which the amount of the GEF Trust Fund Grant is credited; and

- (vii) a new paragraph (q) is added to 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 Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “Beneficiary” means an individual, or an entity eligible to request that an activity be carried out in accordance with the eligibility criteria specified in the Contingency Relief Fund Operational Manual (hereinafter defined);

(b) “Biodiversity Conservation Program” means the Recipient’s program to provide grants for the purposes of carrying out biodiversity conservation and public awareness activities under Part B of the Project;

(c) “Biodiversity Conservation Program Operational Manual” means the Recipient’s manual referred to in paragraph 4(a) of Schedule 4 to this Agreement, satisfactory to the Bank, setting forth the criteria and procedures for and defining terms and procedures applicable to provision and implementation of Biodiversity Conservation Program Sub-grants (as defined hereinafter); as such manual may be amended from time to time upon the agreement with the Bank;

(d) “Biodiversity Conservation Program Sub-grant” means a grant made or proposed to be made by the Recipient to an eligible Grantee out of the proceeds of the GEF Trust Fund for the financing of a Biodiversity Conservation Program Sub-project (as defined hereinafter);

(e) “Biodiversity Conservation Program Sub-grant Agreement” means an agreement between the Recipient and a Grantee and referred to in paragraph 4(b) of Schedule 4 to this Agreement;

(f) “Biodiversity Conservation Program Sub-project” means an activity to be carried out by a Grantee and in respect of which a Biodiversity Conservation Program Sub-grant is provided, or proposed to be provided, for the benefit of the Grantee;

(g) “Consultative Councils” means the council to be established pursuant to the rules and regulations of the Persina Nature Park Directorate to be adopted by the Ministry of Agriculture and Forestry and the articles of agreement of the non-profit organization referred to in paragraph 9 of Schedule 4 to this Agreement, as referred to in paragraph 2 (c) of Schedule 4 to this Agreement;

(h) “Contingency Relief Fund” means the Recipient’s fund to provide Beneficiaries

with relief grants to cover for the costs of technical assistance, goods, and small works necessary to carry out activities under the Contingency relief Fund Operational Manual (as defined hereinafter) and the Process Framework (as defined hereinafter);

(i) “Contingency Relief Fund Operational Manual” means the Recipient’s manual referred to in paragraph 6 of Schedule 4 to this Agreement, satisfactory to the Bank, setting forth the criteria and procedures for and defining terms and procedures applicable to provision and implementation of the Contingency Relief Fund; as such manual may be amended from time to time upon the agreement with the Bank;

(j) “Environmental Management Plan” or “EMP” means the plan, satisfactory to the Bank, prepared and adopted by the Recipient, describing the environmental mitigation, monitoring, and institutional measures under the Project;

(k) “Farmer” means an individual, or an entity eligible for a Farmer Transition Support Fund Sub-grant (as defined hereinafter) in accordance with the eligibility criteria specified in the Farmer Transition Support Fund Operational Manual (as defined hereinafter), and for whose benefit a Farmer Transition Support Fund Sub-grant (as defined hereinafter) is provided or proposed to be provided;

(l) “Farmer Transition Support Fund” means the Recipient’s fund established in order to assist farmers make the transition to agricultural activities more compatible with sustainable use of natural resources as a result of the implementation of Part B of the Project;

(m) “Farmer Transition Support Fund Operational Manual” means the manual referred to in paragraph 5 (a) of Schedule 4 to this Agreement, satisfactory to the Bank, setting forth the criteria and procedures for and defining terms and procedures applicable to provision and implementation of the Farmer Transition Support Fund Manual Sub-grants (as defined hereinafter); as such manual may be amended from time to time upon the agreement with the Bank;

(n) “Farmer Transition Support Fund Sub-grant” means a grant made or proposed to be made by the Recipient to an eligible Farmer out of the proceeds of the GEF Trust Fund for the financing of a Farmer Transition Support Fund Sub-project (as defined hereinafter);

(o) “Farmer Transition Support Fund Sub-grant Agreement” means an agreement between the Recipient and a Farmer and referred to in paragraph 5 (b) of Schedule 4 to this Agreement;

(p) “Farmer Transition Support Fund Sub-project” means an activity to be carried out by a Farmer and in respect of which a Farmer Support Transition Fund Sub-grant is provided, or proposed to be provided, for the benefit of the Farmer;

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

(r) “Grantee” means an individual, or an entity eligible for a Biodiversity Conservation Program Sub-grant in accordance with the eligibility criteria specified in the Biodiversity Conservation Program Operational Manual, and for whose benefit a Biodiversity Conservation Program Sub-grant is provided or proposed to be provided;

(s) “Process Framework” means the framework, satisfactory to the Bank, prepared and adopted by the Recipient, describing the process to be followed for mitigating potential adverse livelihoods impacts which could be caused by the Project;

(t) “Project Implementation Plan” or “PIP” means the plan referred to in paragraph 3 of Schedule 4 to this Agreement, setting forth the criteria and procedures for and defining terms and procedures applicable to provision and implementation of the Project, including: (i) the criteria and procedures for the Biodiversity Conservation Program Sub-grants, the Contingency Relief Fund, the Farmer Transition Support Fund; (ii) the environmental management plan; (iii) the Process Framework; (iv) the work program for the implementation of the Project; and (v) the key instruments for the execution, coordination of the Project, including procurement and financial management procedures and administrative agreements and authorizations necessary for the implementation of the Project;

(u) “PCU” means the Project Coordination Unit established within MoEW (as defined hereinafter), or any legal successor thereto;

(v) “Project Steering Committee” means the committee established pursuant to an Order of the Minister of Environment and Water, as referred to in paragraph 2 (c) of Schedule 4 to this Agreement;

(w) “Project Area” means the area located within the boundaries of the Persina Nature Park and the Kalimok/Brushlen Protected Site as well as selected locations where project activities are planned to take place; as such Project Area may be expanded upon agreement with the Bank;

(x) “MoEW” means the Recipient’s Ministry of Environment and Water; and

(y) “Special Account” means the account referred to in Section 2.02 (b) to 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 six million and one hundred Special Drawing Rights (SDR 6,100,000).

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: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Recipient on account of Sub-grants made under Part B of the Project to meet the reasonable cost of goods, works, operating costs, technical assistance and training required for the Sub-project in respect of which the withdrawal from the GEF Trust Fund account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works,

contingency Relief Fund Sub-grants, and operating costs required for carrying out the Project, other than for Sub-grants provided under Part B of the Project, and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Bulgarian National Bank 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 March 15, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

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

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

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

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

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures in respect of the Project and each Sub-project (including its cost and the benefits to be derived from it).

(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 Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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, (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 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 such 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.

Section 4.02. The Recipient, through the PCU, shall prepare and furnish to the Bank a Financial Monitoring Report in a form and substance satisfactory to the Bank, which:

- (a)
 - (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, and showing separately funds provided from the proceeds of the Grant; and explains variances between 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 Bank 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 Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

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

- (a) that the PIP shall have been amended, suspended, abrogated or waived without the Bank's prior consent.
- (b)
 - (i) Subject to paragraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Phare Grant and Austrian Grant made to the Recipient for financing the Project shall have been suspended, canceled, or terminated in whole or in part, pursuant to the terms of the Phare Grant Agreement and Austrian Grant Agreement providing therefore.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (a) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreements; and/or (b) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effective Date; Termination

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

(a) the Recipient has provided evidence satisfactory to the Bank that the auditors referred to in Section 4.01 of this Agreement have been selected in a manner satisfactory to the Bank; and

(b) the Recipient has provided a legal opinion satisfactory to the Bank stating that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms.

Section 6.02. The date of ninety (90) days from the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

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

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Environment and Water of the Recipient 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:

Ministry of Environment and Water
67 William Gladstone St
1000 Sofia
Republic of Bulgaria

Facsimile

359-2-986-2533

For the Bank:

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

Cable address:	Telex:	Facsimile
INTBAFRAD	248423 (MCI)	(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 Sofia, Republic of Bulgaria, as of the day and year first above written.

REPUBLIC OF BULGARIA

By /s/ Dolores Arsenova

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an implementing agency of the Global Environment Facility

By /s/ Oscar De Bruyn Kops

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

Part A: General

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

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	2,800,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods	370,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services, including audit services	970,000	100%
(4) Training and study tours	140,000	100%
(5) Sub-grants for Biodiversity Conservation Program Sub-projects	170,000	100%
(6) Sub-grants for Farmer Transition Support Fund Sub-projects	690,000	100%
(7) Contingency Relief Fund	310,000	100%
(8) Operating Costs	290,000	90% of expenditures until December 31, 2003, 85% of expenditures until

December 31, 2004,
75% of expenditures until
December 31, 2005, 50% of
expenditures until
December 31, 2006, and
25% of expenditures
thereafter

(9) Unallocated	<u>360,000</u>
TOTAL	6,100,000

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) the term “training and study tours” means expenditures incurred by the Recipient in connection with the carrying out of training and study tours activities under the Project, including: training fee, cost of study tours, workshops, and related travel, expenditures and per diems; rental of facilities and equipment; and training materials; and

(d) the term “operating costs” means incremental operating expenditures incurred by the PCU and the Recipient on account of Project implementation, including Project related travel, expenditures and per diems; translation expenses; small tools; equipment operation and maintenance; office supplies; communications, public information materials and publications materials related to Project management; and vehicle operation and maintenance.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. 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: (a) goods under contracts costing less than \$100,000 equivalent; (b) works under contracts costing less than \$100,000 equivalent; (c) services of consulting firms under contracts costing less than \$100,000 equivalent; (d) services of individual consultants under contracts costing less than \$25,000 equivalent; (e) incremental operating costs; and (f) Sub-grants; 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 objective of the Project is to promote the adoption of sustainable natural resource management practices at the local level in the Project Area.

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

Part A: Wetlands Restoration

Provision of technical assistance and works to restore selected marshes in the Project Area, including the construction and rehabilitation of small infrastructures regulating water flows through the wetlands.

Part B: Protected Areas Management

Provision of technical assistance, training, goods, grants, and works to improve protected area management in the Project Area, including: (i) development and implementation of protected areas management plans for each protected areas; (ii) strengthening the monitoring programs for water quality, biodiversity and social indicators within the protected areas; (iii) carrying out of a public awareness campaign strategy in support for environmental and biodiversity conservation with the participation of civil society; (iv) strengthening of the institutional and regulatory and legal enforcement capacity of governmental and administrative entities responsible for land and water management to ensure sustainable management of the restored wetlands and the surrounding areas; (v) development of strategic guidelines to support the preparation of a nation-wide nutrient reduction strategy; (vi) providing grants for public awareness of biodiversity conservation and transition of environmentally friendly agricultural practices; and (vii) establishment of a business support center for small and medium enterprises to support ecological and biodiversity conservation friendly business proposals, through technical advice and credit and leasing financial instruments.

Part C: Project Coordination, Management, and Monitoring

Provision of technical assistance, including audit services, goods, and training to the PCU for purposes of coordination, management, and monitoring of Project implementation.

* * *

The Project is expected to be completed by September 15, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

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.

3. (a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient.

(b) Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed US\$1,700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$450,000 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.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$130,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$590,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, 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.

5. Works, Goods and Services under Sub-projects

Works, goods and services under Sub-projects shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and procedures set forth in the Project Implementation Plan.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of US\$100,000 or more and for works estimated to cost the equivalent of US\$1,000,000 or more the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: the first contract for goods and works to be procured in accordance with the provisions of Part C.1 above; (i) the first contract for goods to be procured in accordance with the provisions of Part C.2 above; (ii) the first contract for goods to be procured in accordance with the provisions of Part C.3 above; and (iii) the first contract for works to be procured in accordance with the provisions of Part C.4 above, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;

- (ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) 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 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

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, 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.
2. The following provisions 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 US\$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial auditing estimated to cost less than \$100,000 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. Fixed Budget

Services for preparation nutrient reduction guidelines estimated to cost less than

\$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than US\$100,000 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.

4. Individual Consultants

Services for 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 Bank 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 Bank 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 Bank, 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 \$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.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$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.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, 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 said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. The Recipient through MoEW shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31, 2004, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) review with the Bank, by March 31, 2005, or such later date as the Bank shall request, the mid-term report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.
2. The Recipient shall:
 - (a) maintain during the execution of the Project, the PCU within MoEW with staff and resources as shall be required to perform its duties in respect of overall management, coordination, and monitoring of the Project in a manner satisfactory to the Bank;
 - (b) designate by not later than September 30, 2002 and maintain thereafter during the execution of the Project, local staff of the PCU in the Project Area to carry out the local coordination and supervision of the Project;
 - (c) maintain during the execution of the Project the Project Steering Committee, comprising of representatives inter alia, from the MoEW (Chair), Ministry of Agriculture and Forestry, Ministry of Justice, Ministry of Health, Ministry of Regional Development and Public Works, Ministry of Economy, Ministry of Labor and Social Policy, municipalities within project sites, non-government organizations, which shall provide oversight and policy guidance for overall implementation of the Project, and not amend its composition without the prior agreement of the Bank; and
 - (d) ensure that the local Consultative Councils in the Project Area are established and maintained during the execution of the Project to assist the Persina Nature Park Directorate and Kalimok/Brushlen Protected Site Administration to oversee and reinforce coordination at the local level during the preparation of the protected areas management plans, such groups to have a membership and functions in accordance with the PIP.

3. The Recipient shall ensure that the Project is carried out in accordance with the PIP, and that all measures necessary for the carrying out of the EMP and Process Framework are taken in a timely manner.

4. For the purposes of carrying out Part B of the Project, the Recipient, through MoEW, shall:

(a) ensure that Biodiversity Conservation Program Sub-projects shall be selected, approved, implemented and evaluated in accordance with the criteria and procedures set forth in the Biodiversity Conservation Program Operational Manual,

(b) for purposes of each Biodiversity Conservation Program Sub-grant, conclude an agreement with the Grantee based on a model form provided in the Biodiversity Conservation Program Operational Manual, setting forth the respective obligations of the parties thereunder, including but not limited to:

(i) a description of the Biodiversity Conservation Program Sub-project and an estimate of the cost thereof, disbursements schedules and procurement procedures, as they may apply, and the amount of the Grantee's contribution to the cost of the Sub-project;

(ii) the obligation of the Grantee: (A) to carry out the Biodiversity Conservation Program Sub-project with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering and technical practices, and with due regard to ecological and environmental factors, and to maintain adequate records; and (B) upon completion of the Biodiversity Conservation Program Sub-project, to make provision for the maintenance of any productive assets resulting therefrom, and for the payment of recurrent expenditures generated thereunder;

(iii) the obligation of the Grantee to provide all such information as the Bank or the Recipient shall reasonably request relating to the implementation of the Biodiversity Conservation Program Sub-project and the performance of the Grantee thereunder;

(iv) the obligation of the Grantee not to use the proceeds of a Biodiversity Conservation Program Sub-grant to finance taxes or duties levied on or in respect of eligible expenditures relating to a Biodiversity Conservation Program Sub-project, or land acquisition;

(v) the obligation of the Grantee to procure works, goods and services under the Biodiversity Conservation Program Sub-project in accordance with the procedures set forth in the Biodiversity Conservation Program Operational Manual;

(vi) the obligation of the Grantee to maintain records and accounts for expenditures incurred under the Biodiversity Conservation Program Sub-project and financed from the proceeds of the Biodiversity Conservation Program Sub-grant and to submit to the Recipient at regular intervals statements with respect to such records and accounts; and

(vii) the right of the Recipient to suspend or terminate the right of the Grantee to the use of the proceeds of a Biodiversity Conservation Program Sub-grant upon failure by such Grantee to perform its obligations under such agreement.

5. For the purposes of implementing the Farmer Transition Support Fund under Part B of the Project, the Recipient, through MoEW, shall:

(a) ensure that the Farmer Transition Support Fund Sub-projects shall be selected, approved, implemented and evaluated in accordance with the criteria and procedures set forth in the Farmer Transition Support Fund Operational Manual and the Framework Process;

(b) for purposes of each Farmer Transition Support Fund Sub-grant conclude an agreement with the Farmer based on a model form provided in the Farmer Transition Support Fund Operational Manual (Sub-Grant Agreement), setting forth the respective obligations of the parties thereunder, including but not limited to:

(i) a description of the Farmer Transition Support Fund Sub-project and an estimate of the cost thereof, disbursement and procurement procedures, as they may apply, and the amount of the Farmer's contribution to the cost of the Sub-project;

(ii) the obligation of the Farmer: (A) to carry out the Farmer Transition Support Fund Sub-project with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering and technical practices, and with due regard to ecological and environmental factors, and to maintain adequate records; and (B) upon completion of the Farmer Transition Support Fund Sub-project, to make provision for the maintenance of any productive assets resulting therefrom, and for the payment of recurrent expenditures generated thereunder;

(iii) the obligation of the Farmer to provide all such information as the Bank or the Recipient shall reasonably request relating to the implementation of the Farmer Transition Support Fund Sub-project and the performance of the Farmer thereunder;

(iv) the obligation of the Farmer not to use the proceeds of a Farmer Transition Support Fund Sub-grant to finance taxes or duties levied on or in respect of eligible expenditures relating to a Farmer Transition Support Fund Sub-project, or land acquisition;

(v) the obligation of the Farmer to procure works, goods and services under the Farmer Transition Support Fund Sub-project in accordance with the procedures set forth in the Farmer Transition Support Fund Manual;

(vi) the obligation of the Farmer to maintain records and accounts for expenditures incurred under the Farmer Transition Support Fund Sub-project and financed from the proceeds of the Farmer Transition Support Fund Sub-grant and to submit to the Recipient at regular intervals statements with respect to such records and accounts; and

(vii) the right of the Recipient to suspend or terminate the right of the Farmer to the use of the proceeds of a Farmer Transition Support Fund Sub-grant upon failure by such Farmer to perform its obligations under such agreement.

6. Provided that the Bank and the Recipient agree that the conditions triggering the Contingency Relief Fund for Part B of the Project are met, the Recipient, through MoEW, shall ensure that the expenditures financed under the Contingency Relief Fund are provided in accordance with criteria and procedures set forth in the Framework Process and the Contingency Relief Fund Operational Manual.

7. The Recipient shall: (a) cause the Project Steering Committee to ensure that the implementation arrangements outlined in the PIP are carried out, *inter alia*, through provisions whereby: (i) the responsibilities and tasks of each entity are described for the purposes of Project implementation; (ii) the commitment of each entity to coordinate and cooperate in their respective activities for the purposes of the implementation of the Project; and (iii) the entities shall be required to implement the Project in accordance with the PIP and the relevant provisions of this Agreement.

8. The Recipient shall ensure that all permits and authorization necessary for the construction, rights of way, rights of use, and visits necessary of the implementation of the Project are obtained in due time and diligently.

9. The Recipient shall by not later than October 31, 2002 authorize a non-profit organization, acceptable to the Bank, to manage the Kalimok/Brushlen Protected Site under terms and conditions satisfactory to the Bank.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term “Authorized Allocation” means an amount equivalent to US\$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$300,000 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 Special Drawing Rights 1,000,000.

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

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

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

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

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

