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Legal Department
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E. Gudmundsdottir/I. Kichigina
October 16, 2001

GEF TRUST FUND GRANT NUMBER _____-RO

Global Environment Facility Trust Fund Grant Agreement

(Agricultural Pollution Control Project)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated

, 2001

GEF TRUST FUND GRANT NUMBER _____-RO

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated _____, 2001, between ROMANIA (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; 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 Currency Pool Loans of the Bank, dated January 1, 1985 (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), (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), (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; and
- (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 “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (v) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (vi) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

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

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 term and the following additional terms have the following meanings:

(a) “Beneficiary” means an individual, community group or community, entity or association, eligible for a Sub-grant (hereinafter defined) in accordance with the eligibility criteria specified in the Sub-grant Guidelines (hereinafter defined), and for whose benefit a Sub-grant is provided or proposed to be provided;

(b) “DGAIA” means the Directorate General for Agriculture and Food Industry of the Calarasi Judet, established on January 4, 2001, through Government Decision No. 12/2001;

(c) “Eligible Categories” means categories (1) through (5); set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(d) “Eligible Expenditures” means the expenditures for goods, works, services, Sub-grants and operating costs referred to in Section 2.02 of this Agreement.

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

(f) “EPI” means the Environmental Protection Inspectorate of the Calarasi Judet established on January 4, 2001, through Government Decision No. 17/2001;

(g) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations Development Programme (UNDP);

(h) “MAFF” means the Recipient’s Ministry of Agriculture, Food and Forests;

(i) “MWEP” means the Recipient’s Ministry of Waters and Environmental Protection;

(j) “NAEP” means the National Authority for Ecological Products of the Recipient, established on April 17, 2000, through Government Ordinance No. 34/2000;

(k) “OCGC” means the Office of Cadastre, Geodezy and Cartography of the Calarasi Judet, established on May 17, 2001 through Government Ordinance No. 70/2001;

(l) “Operational Manual” means the manual adopted by the Borrower, referred to in Section 5.01(a) of this Agreement, setting forth the procedures for the implementation of the Project, including the Sub-grant Guidelines;

(m) “OJCAC” means the Office of Judet Agricultural Consultancy of the Calarasi Judet, established on September 30, 1998, through Government Decision No. 676/1998;

(n) “OJSPA” means the Office of Judet Soils Unit of the Calarasi Judet, established on May 5, 1990, through Government Decision No. 477/1990;

(p) “PHD” means the Public Health Directorate of the Calarasi Judet, established through Minister Order No. 954/1998, issued by the Minister of Health on December 8, 1998;

(o) “PMU” means the Project Management Unit to be established by the MWEP as referred to in Section 6.01(a) of this Grant Agreement, or any legal successor thereto;

(q) “Project Coordination Committee” means the committee established pursuant to a Protocol signed in Calarasi, dated November 15, 2000;

(r) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(s) “Project Steering Committee” means the committee established pursuant to Minister Order No. 670/2001, issued by the Minister of Waters and Environmental Protection on July 20, 2001, and endorsed by the Minister of Public Finance, the Minister of Agriculture, Food and Forestry and the Minister of Public Administration;

(t) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(u) “Sub-grant” means a grant made or proposed to be made by the Recipient, through MWEP, out of the proceeds of the GEF Trust Fund Grant to a Beneficiary for the financing of a Sub-project;

(v) “Sub-grant Agreement” means an agreement between the Recipient and a Beneficiary, and referred to in paragraph 6(f) of Schedule 4 to this Agreement;

(x) “Sub-grant Guidelines” means the guidelines referred to in paragraph 4 of Schedule 4 to this Agreement, and to be included in the Operational Manual, as such

Sub-grant Guidelines may be amended from time to time with the agreement of the Bank;
and

(y) “Sub-project” means an activity referred to under Part A(1)(a) of the Project, and in respect of which a Sub-grant is provided, or proposed to be provided, for the benefit of the Beneficiary.

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 four million Special Drawing Rights (SDR 4,000,000).

Section 2.02. 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 A(1)(a) of the Project to meet the reasonable cost of goods, works and services 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, services and operating costs required for carrying out the Project, other than Part A(1)(a), and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be June 30, 2007, 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 agricultural, administrative, financial and technical practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. For the purposes of Part A(1)(a) of the Project, the Recipient shall allocate an amount of the GEF Trust Fund Grant not exceeding such amount as may be allocated from time to time to Category (4) of the table in paragraph A.1 of Schedule 1 to this Agreement, to provide Sub-grants to finance Sub-projects, on the terms and conditions acceptable to the Bank, including, inter alia, those conditions specified in paragraph 6 of Schedule 4 to this Agreement.

Section 3.03. 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 3.04. 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 Project Management Reports or 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 Project Management Reports or 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. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than May 15, 2002, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report and expenditures proposed

to be financed out of the proceeds of the Grant during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, including output by Project activity, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Grant, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that the Operational Manual, including the Sub-grant Guidelines, shall have been amended, suspended, abrogated, repealed or waived without prior approval of the Bank.

ARTICLE VI

Effectiveness; Termination

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

- (a) the PMU has been established, in accordance with the law of the Recipient, and appropriate staff selected, in a manner satisfactory to the Bank; and
- (b) the Recipient has selected the auditors referred to in Section 4.01(b)(i) of this Agreement, with experience, qualifications and terms of reference satisfactory to the Bank.

Section 6.02. 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 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 Public Finance 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 Public Finance
17, Apolodor Street
Bucharest
Romania

Telex:
11239

Facsimile:
401 312 6792

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
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 _____, as of the day and year first above written.

ROMANIA

By

Authorized Representative

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

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

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

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures to be Financed
(1) Works		
(a) under Part A.(1)(d)(i) of the Project	690,000	67%
(b) under Part A(1)(d)(ii)	100,000	17%
(c) under Parts A(2) and A(3) of the Project	60,000	84%
(2) Goods	964,340	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 84% of local expenditures for other items procured locally

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures to be Financed
(3) Consultants' services and training, including auditing services	832,170	100%
(4) Sub-grants under Part A(1)(a) of the Project	748,840	80%
(5) Operating Costs	209,300	85% until December 31, 2003; 80% until December 31, 2004; and 70% thereafter
(6) Unallocated	395,350	
	<hr/>	
TOTAL	4,000,000	
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2. For the purposes of this Schedule:

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

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

(c) the term “operating costs” means recurrent expenditures incurred by the PMU to manage and coordinate Project activities, including travel to Project sites, per diem expenses, fuel, vehicle maintenance, translations, communications cost, utilities, office refurbishment, office supplies and salaries of the PMU staff (other than government employees) in accordance with a salary scale agreed upon with the Bank.

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 \$50,000 equivalent; (c) services provided by individual consultants under contracts costing less than \$25,000 equivalent; (d) training under contracts costing less than \$25,000 equivalent; (e) sub-grants under Part A(1)(a) of the Project; and (f) operating costs, all 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.

B. Special Account

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

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Recipient for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Recipient for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

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

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Account; or

(c) if the Recipient shall have failed to furnish to the Bank within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports**

1. For the purposes of this Annex:

the term “Authorized Allocation” means an amount equivalent to \$500,000 to be withdrawn from the GEF Trust Fund Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$300,000 until the aggregate amount of withdrawals from the GEF Trust Fund 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 equal or exceed the equivalent of SDR 1,000,000.

2. Withdrawals of Special Account’s Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

- (a) For withdrawals of the Special Account’s Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized

Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Bank shall specify by notice to

the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports**

1. Except as the Bank may otherwise specify by notice to the Recipient, all withdrawals from the GEF Trust Fund Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the GEF Trust Fund Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount

indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$500,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the use of agricultural practices that benefit the environment and lead to reduced nutrient discharge from agricultural sources in Romania to the Danube River and the Black Sea.

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

Part A: Activities in the Calarasi Judet:

- (1) (a) Provision of Sub-grants to Beneficiaries to support: (i) the purchasing and installment manure storage facilities and equipment, at the household level, for manure collection and application; and (ii) the performance of pilot organic farming, the adoption of agricultural practices that would maintain or increase profitability from crop production while reducing non-point source pollution.
- (b) Promotion of improved agricultural practices through field-testing and carrying out demonstration programs of integrated crop and nutrient management.

- (c) Training of Beneficiaries on good practices for waste collection and manure management.
 - (d) Installment of manure storage facilities and equipment for manure collection and application for: (i) comunas; and (ii) private farms.
- (2) Supporting development of: (i) land-use management plan for the Boianu-Sticleanu Polder; (ii) conservation management plan for the Iezer Calarasi nature reserve; and (iii) ecological restoration of a part of the Calarasi Raul Polder.
- (3) Strengthening the capacity of relevant local and national institutions to monitor the impact of the activities performed under the Project on water and soil quality, through: (i) financing the selection and maintenance of monitoring sites and development of baseline data of the current status of surface and groundwater quality; (ii) training of field- and laboratory staff of EPI and PHD; (iii) provision of funds to upgrade laboratory equipment of the relevant local institutions to analyze water and soil samples from various water quality indicators; and (iv) provision of funds to cover operating expenses for field monitoring activities under the Project.

Part B: Strengthening legal framework and implementation capacity at the national level:

(1) Provision of services to: (i) assist the MWEP to prepare legislation on water and soil protection which will meet the standards of the EU in this area; and (ii) assist the MAFF to prepare legislation on improved agricultural practices to benefit the environment.

(2) Provision of services to strengthen the capacity of the NAEP to promote scientific organic farming and land use management.

Part C: Public Awareness and Replication Activities:

(1) Carrying out of public awareness activities at the local, national and regional level, including training, workshops and other mass media products, to introduce the Project and its benefits and to promote replication of the activities under the Project in other Black Sea riparian countries.

(2) Strengthening the institutional capacity of DGAIA and EPI to deliver public awareness activities.

Part D: Project Management and Implementation:

Provision of consultants' services and goods and financing of operating costs to assist the PMU in Project management and implementation.

* * *

The Project is expected to be completed by December 31, 2006.

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:

(a) Grouping of contracts

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

(b) 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.

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 \$2,312,400 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 \$322,800 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 \$550,800, 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 from UN Agencies

Goods to be procured in accordance with the provisions of Part C.2 of this Section may be procured through IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works and Technical Services

Works and technical services estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$95,200 and \$137,240 equivalent, respectively, 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.

6. Community Participation

Works required for construction of well-heads and household manure bunkers under Part A(1)(a) of the Project, estimated to cost less than \$1,000 equivalent per contract, up to an aggregate amount not to exceed \$864,600 equivalent, shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and in accordance with procedures acceptable to the Bank and specified in the Operational Manual.

Part D: Additional Provisions Regarding the National Competitive Bidding Procedures

When procuring works in accordance to the procedure referred to in Section I, C.1. of this Schedule, the following procedures shall be followed: (a) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids; (b) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee; (c) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process; (d) bidding shall not be restricted to pre-registered firms; (e) qualification criteria shall be stated in the bidding documents; (f) bids shall be opened in public, immediately after the deadline for submission of bids; (g)

bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank; (h) before rejecting all bids and soliciting new bids, the Bank's prior concurrence shall be obtained; (i) contracts shall be awarded to the lowest evaluated bidders; and (j) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

Part E: 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: (i) each contract for goods and works procured in accordance with the procedure referred to in Section I, Part B.1. of this Schedule; and (ii) the first contract for works procured in accordance with the procedure referred to in

Section I, C.1. of this Schedule; the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first contract for goods procured in accordance with the procedures referred to in Section I, C.2. and C.3. of this Schedule; and (ii) the first contract for works procured in accordance with the procedures referred to in Section I, C.5. of this Schedule, the following procedures shall apply:

- (i) prior to the selection of any supplier 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 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 Recipients" 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 \$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 audits and training in the field of biology and hydrology, 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 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for 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 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 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 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 MWEP 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, through MWEP, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2004, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 30, 2004, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. The Recipient through MWEP shall:

(a) establish and maintain during the execution of the Project, the PMU, located at DGAIA at Calarasi, with staff and resources as shall be required for the PMU to perform its duties in respect of overall management and implementation of the Project in accordance with the Operational Manual and satisfactory to the Bank;

(b) maintain during the execution of the Project the Project Steering Committee, comprising of representatives from MWEP, MAFF, the Ministry of Public Finance and the Ministry of Public Administration, 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

(c) maintain during the execution of the Project, the Project Coordination Committee, comprising of the President of the Calarasi County Council, the Head of the Calarasi County Local Administration, the Vice-President of the Calarasi County Council, the Director General of DGAIA Calarasi, the Director of EPI Calarasi, the Director of PHD Calarasi, the Director OCGC Calarasi, the Chief Architect of the Calarasi County Council, the Director of OJCA Calarasi, Mayors of the Odobescu, Ciocanesti, Cuza Voda, Gradistea, Independenta, Vilcelele and Vlad Tepes Communas, one farmer who owns land in the project area and the Director of the PMU, and not amend its composition without the prior agreement of the Bank, which shall provide

oversight and policy guidance as it applies specifically to the implementation of the Project in the Calarasi Judet.

3. The Recipient shall, through the MWEP, ensure that all measures necessary for the carrying out of the Environmental Management Plan are taken in a timely manner.

4. For the purposes of carrying out Part A(1)(a) of the Project, the Recipient has adopted the Sub-grant Guidelines, satisfactory to the Bank, setting forth procedural arrangements for the review, appraisal, supervision, and monitoring and evaluation, of Sub-projects, including procedures for submission and review of requests for financing, criteria for the review and approval of Sub-projects, and approval of Sub-grants, applicable procurement, disbursement and other implementation guidelines, and model forms of Sub-project Agreements and works contracts with local contractors.

5. The Recipient shall not amend, suspend, abrogate, repeal or waive the Operational Manual, including the Sub-grant Guidelines, without the Bank's prior consent.

6. Further to Section 3.02 of this Agreement, the use of the proceeds of the GEF Trust Fund Grant allocated to Category (4) of the table in paragraph A.1 of Schedule 1 to this Agreement shall be subject to the following additional terms and conditions:

(a) the amount so allocated shall be used exclusively to provide Sub-grants to finance Sub-projects in accordance with criteria and terms and conditions set forth in the Sub-grant Guidelines;

(b) no Sub-grant shall be granted except to finance a Sub-project which is to:
(i) purchase and install manure storage facilities and/or equipment for manure collection and application; or (ii) perform pilot organic farming, adopting agricultural practices that would maintain or increase profitability from crop production while reducing non-point source pollution;

(c) no Sub-project shall be considered for approval unless the Beneficiary has provided a plan for the maintenance of any productive assets resulting from the Sub-project, upon its completion, and for the payment of recurrent expenditures required thereunder;

(d) Sub-grants shall be provided for the benefit of eligible Beneficiaries, and according to a cost-sharing formula, which may include in-kind contributions from the Beneficiary and shall be acceptable to the Bank and specified in the Sub-grant Guidelines; provided, however, that:

- (i) the proceeds of a Sub-grant shall not be used to finance taxes or duties levied on or in respect of eligible expenditures relating to a Sub-project, or any part thereof, or land acquisition; and
- (ii) except as the Bank shall otherwise agree, the amount of each Sub-grant shall not exceed eighty (80) percent of the total cost of the Sub-project.

(e) goods, services and works required for the purposes of carrying out Sub-projects shall be procured in accordance with the procedures referred to in Schedule 3 to this Agreement and set forth in the Sub-grant Guidelines;

(f) for purposes of each Sub-grant, the Recipient shall, through MWEF, conclude an agreement with the Beneficiary based on a model form provided in the Sub-grant Guidelines (Sub-Grant Agreement), setting forth the respective obligations of the parties thereunder, including the terms of Sub-grants set forth in paragraphs 6 (a) – (e) of this Schedule, disbursement and procurement procedures, as they may apply, the amount of the Beneficiary's contribution to the cost of the Sub-project, and the right of the Recipient to:

- (i) require the Beneficiary (A) to carry out the Sub-project with due diligence and efficiency, in conformity with appropriate

agricultural, 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 Sub-project, to make provision for the maintenance of any productive assets resulting therefrom, and for the payment of recurrent expenditures generated thereunder;

- (ii) obtain all such information as the Bank or the Recipient shall reasonably request relating to the implementation of the Sub-project and the performance of the Beneficiary thereunder; and
- (iii) suspend or terminate the right of the Beneficiary to the use of the proceeds of a Sub-grant upon failure by such Beneficiary to perform its obligations under such agreement.

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