

Public Disclosure Authorized

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER 28361

# **Global Environment Facility Trust Fund Grant Agreement**

(Atlantic Biological Corridor Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated August 25, 1997

Public Disclosure Authorized

**GEF TRUST FUND GRANT NUMBER 28361**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated August 25, 1997, between REPUBLIC OF NICARAGUA (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 are continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project by an agreement dated October 1, 1996 between the Recipient and the Association, to provide such assistance in an aggregate principal amount equivalent to twenty million nine hundred thousand Special Drawing Rights (SDR20,900,000);

(E) Part A of the Project will be carried out by the Recipient's National Environmental Fund (NEF) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to NEF part of the proceeds of the GEF Trust Fund Grant as provided in this 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 of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Section 4.01 and the first sentence of Section 4.09;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03 as modified below, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Sections 10.01, 10.03 and 10.04;
  - (x) Article XI; and
  - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: “the term “Special Drawing Rights” and the symbol “SDR” mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement”;
  - (ii) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02,

the term “Bank” shall also include the Bank acting in its own capacity;

- (iii) the term “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;
- (vii) The second sentence of Section 5.01 is modified to read: “Except as the Bank and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”;
- (viii) 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; and
- (ix) Section 6.03 is modified to read: “Section 6.03. Cancellation by the Bank. If (a) the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account shall have been suspended with respect to any amount of the GEF Trust Fund Grant for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Recipient, that an amount of the GEF Trust Fund Grant will not be required to finance the Project’s costs to be financed out of the proceeds of the GEF Trust Fund Grant, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the GEF Trust Fund Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the GEF Trust Fund Grant during the

procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the GEF Trust Fund Grant is inconsistent with the procedures set forth or referred to in the GEF Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (e) after the Closing Date, an amount of the GEF Trust Fund Grant shall remain unwithdrawn from the GEF Trust Fund Grant Account.”

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

(a) “Atlantic Biological Corridor” means the area described in the annex to the letter furnished by the Recipient to the Bank on May 20, 1997;

(b) “Autonomy Law” means the Recipient’s law number 28 published in the Gazette on October 30, 1987;

(c) “Beneficiary” means a municipality, a cooperative, an association, an enterprise, an indigenous community or a non-governmental organization duly established in the Recipient’s territory in accordance with its laws which is eligible to receive financing for a Subproject (as defined below) in accordance with the criteria set forth in the Operational Manual (as defined below);

(d) “Beneficiary Grant” means a grant made by NEF (as defined below) to a Beneficiary for the financing of a Subproject (as defined below) pursuant to the terms of the Operational Manual (as defined below);

(e) “Beneficiary Grant Agreement” means any of the agreements to be entered into between NEF and a Beneficiary, pursuant to Section 3.01 (b) (ii) (B) of this Agreement, as the same may be amended from time to time, and such terms include all schedules to such Agreement;

(f) “Biodiversity Priority Area” means an area within the Cerro Silva and Wawashan forestry reserves and the Cayos Miskitos biological reserve set forth, respectively, in the Recipient’s decree numbers 42-91 and 43-91, published in the Gazette

on November 4, 1991, and the buffer zones thereof, and other priority areas defined in the Operational Manual (as defined below);

(g) “Demarcation Activities” means activities for the demarcation of land possessed by indigenous communities residing within Biodiversity Priority Areas, leading to the titling and/or other legal recognition of property rights regarding such lands;

(h) “Demarcation Commission” means the commission established pursuant to the Demarcation Commission Decree (as defined below), and/or any other agency, satisfactory to the Bank, that may be established and/or designated by the Recipient, pursuant to the Demarcation and Titling Legislation (as defined below) with powers to demarcate and/or title indigenous land;

(i) “Demarcation Commission Decree” means the Recipient’s decree number 16-96, published in the Gazette on September 6, 1996, as amended by decree number 23-97 dated April 15, 1997;

(j) “Demarcation and Titling Legislation” means the law or laws and/or decree or decrees and/or resolutions defining in a manner satisfactory to the Bank the procedures governing, and the entity or entities responsible for, the demarcation and titling of indigenous land in the Atlantic Coast, and the granting or recognition of legal entity status to indigenous communities;

(k) “Environmental Law” means the Recipient’s law number 217 published in the Gazette on June 6, 1996;

(l) “GIS works” means works required for the establishment of a geographic information system in the Atlantic Biological Corridor;

(m) “Indicators” means the evaluation and monitoring indicators set forth in a supplemental letter of even date herewith;

(n) “IPDP” means a plan for the development of the indigenous peoples of the Recipient’s Atlantic Coast furnished by the Recipient to the Bank on May 20, 1997;

(o) “Local Commission” means a commission to be established, respectively, by RAAN and RAAS (as defined below), in form and substance satisfactory to the Bank, to coordinate activities under Parts A and C.3 (a), (c) and (d) of the Project at the local level;

(p) “MARENA” means the Recipient’s ministry of the environment and natural resources;

(q) “MARENA/RAAN Implementation Agreement” means the agreement to be entered into between MARENA and RAAN (as defined below) pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such terms include all schedules to such Agreement;

(r) “MARENA/RAAS Implementation Agreement” means the agreement to be entered into between MARENA and RAAS (as defined below) pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such terms include all schedules to such Agreement;

(s) “MARENA Special Account” means the account referred to in Section 2.02 (b) (ii) of this Agreement;

(t) “National Assembly” means the Recipient’s legislative branch;

(u) “NEF” means the Recipient’s national environmental fund established pursuant to article 48 of the Environmental Law;

(v) “NEF Decree” means the decree to be enacted in accordance with the provisions of Schedule 1, paragraph 3 (b) (i), of this Agreement;

(w) “NEF/RAAN Implementation Agreement” means the agreement to be entered into between NEF and RAAN (as defined below) pursuant to Section 3.01 (b) (ii) (A) of this Agreement, as the same may be amended from time to time, and such terms include all schedules to such Agreement;

(x) “NEF/RAAS Implementation Agreement” means the agreement to be entered into between NEF and RAAS (as defined below) pursuant to Section 3.01 (b) (ii) (A) of this Agreement, as the same may be amended from time to time, and such terms include all schedules to such Agreement;

(y) “NEF Special Account” means the account referred to in Section 2.02 (b) (i) of this Agreement;

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

(aa) “NGO” means a non-governmental organization established and operating in the Recipient’s territory;

(bb) “Operational Manual” means a manual, satisfactory to the Bank, describing the criteria and procedures for the implementation of Part A of the Project, as the same may be amended from time to time by agreement between the Bank and NEF;

(cc) “Project Unit” means the unit referred to in Section 3.05 of this Agreement;

(dd) “RAAN” means the North Atlantic Autonomous Region established pursuant to the Autonomy Law;

(ee) “RAAS” means the South Atlantic Autonomous Region established pursuant to the Autonomy Law;

(ff) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement; and

(gg) “Subproject” means a project for the conservation and/or sustainable use of biodiversity to be carried out by a Beneficiary in a Biodiversity Priority Area, utilizing the proceeds of a Beneficiary Grant, and which meets the criteria set forth in the Operational Manual.

## **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 five million three hundred thousand Special Drawing Rights (SDR5,300,000).

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 NEF to a Beneficiary under a Beneficiary Grant to meet the reasonable cost of goods and services required for the Subproject in respect of which the withdrawal from the GEF Trust Fund Grant 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 and services required for carrying out 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 in a commercial bank acceptable to the Bank:

- (i) a special deposit account (the NEF Special Account) for purposes of depositing the corresponding proceeds of the GEF Trust Fund Grant for Part A of the Project; and



- (ii) a special deposit account (the MARENA Special Account) for purposes of depositing the corresponding proceeds of the GEF Trust Fund Grant for Parts B, C and D of the Project,

both on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2003 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:

- (i) shall carry out Parts B and C of the Project, through MARENA, with the assistance of RAAN and RAAS; and
- (ii) shall carry out Part D of the Project, through MARENA, with the assistance of the Demarcation Commission,

all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, 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; and

- (iii) shall cause NEF, under the provisions of the NEF Subsidiary Agreement, to carry out Part A of the Project, with the assistance of RAAN and RAAS and the Local Commissions, as the case may be, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices and with due regard to ecological and environmental practices, and in accordance with the Operational Manual, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NEF to carry out Part A of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of such Part of the Project by NEF.

(b) the Recipient shall make the proceeds of the Grant allocated for Part A of the Project available to NEF under a subsidiary agreement to be entered into between the Recipient and NEF, under terms and conditions which shall have been approved by the Bank, which shall include inter alia:

- (i) NEF's obligation to carry out Part A of the Project in accordance with the provisions of this Agreement and the Operational Manual;
- (ii) NEF's obligation to enter into, under terms and conditions acceptable to the Bank:
  - (A) with RAAN and RAAS, an implementation agreement each, setting forth their respective obligations in the financing and/or execution of Subprojects; and
  - (B) with each Beneficiary, a beneficiary grant agreement setting forth their respective obligations in the financing and/or implementation of a Subproject; and
- (iii) NEF's undertaking to: (A) exercise its rights under the NEF/RAAN Implementation Agreement, the NEF/RAAS Implementation Agreement and the Beneficiary Grant Agreements, in such manner as to protect the interests of the Recipient, the Bank and NEF and to accomplish the purposes of the Grant; and (B) except as the Bank and the Recipient shall otherwise agree, not to assign, amend, abrogate, waive or fail to enforce the NEF/RAAN Implementation Agreement, or the NEF/RAAS Implementation Agreement or the Beneficiary Grant Agreements or any provision thereof.

(c) The Recipient shall, through MARENA, enter into, under terms and conditions satisfactory to the Bank, with RAAN and RAAS, an implementation agreement each, setting forth their respective obligations in the financing and/or execution of Parts B and C of the Project.

(d) The Recipient shall exercise its rights and comply with its obligations under the NEF Subsidiary Agreement, the MARENA/RAAN Implementation Agreement and the MARENA/RAAS Implementation Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Grant and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the NEF Subsidiary Agreement or the MARENA/RAAN Implementation Agreement or the MARENA/RAAS Implementation Agreement or any provision thereof.

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. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Indicators, 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 January 31 each year, commencing January 31, 1998, 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, together with the activities proposed to be carried out under the Project, during the period following such date; and

(c) review with the Bank, by February 28 each year, commencing February 28, 1999, 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.

Section 3.04. The Recipient undertakes that, unless the Bank shall otherwise agree, Subprojects shall be promoted, identified, appraised, approved, carried out and monitored by NEF in accordance with the procedures set forth or referred to in the Operational Manual.

Section 3.05. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Recipient shall during the period of Project implementation maintain and cause NEF, under the NEF Subsidiary Agreement, to maintain, a Project coordination unit managed and staffed by professionals with qualifications, experience, functions and responsibilities satisfactory to the Bank, assisted by qualified administrative personnel in adequate numbers.

Section 3.06. The Recipient shall carry out the IPDP in accordance with its terms.

Section 3.07. 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 in respect of Parts B, C, and D of the Project, and shall cause NEF in respect of Part A to maintain, records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Recipient shall, and shall cause NEF to:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the NEF Special Account and the MARENA Special Account, as applicable, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall in respect of Parts B, C and D of the Project, and shall cause NEF in respect of Part A of the Project, to:

- (i) maintain, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records

(contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

## **ARTICLE V**

### **Remedies of the Bank**

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

- (a) NEF shall have failed to perform any of its obligations under the NEF Subsidiary Agreement;
- (b) The Environmental Law or the NEF Decree or the Operational Manual or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of NEF to perform any of its obligations under the NEF Subsidiary Agreement;
- (c) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that NEF will be able to perform its obligations under the NEF Subsidiary Agreement;
- (d) the Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NEF, or for the suspension of its operations;
- (e) the Demarcation and Titling Legislation or the Demarcation Commission Decree or any provision thereof shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Recipient to carry out Part D of the Project;

## **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 Recipient shall have furnished to the Bank, drafts of the Demarcation and Titling Legislation; and

(b) in the event that there is any draft law in the Demarcation and Titling legislation, the Recipient shall have submitted to the National Assembly such draft law.

Section 6.02. The date November 24, 1997 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 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:

Ministerio de Finanzas  
Frente al Edificio de la  
Asamblea Nacional  
Managua  
Nicaragua

Telex:

2410

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 Bluefields, Republic of Nicaragua, as of the day and year first above written.

REPUBLIC OF NICARAGUA

By /s/ Arnoldo Antonio Alemán Lacayo  
Authorized Representative

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

By /s/ Mark E. Cackler  
Acting Regional Vice President  
Latin America and the Caribbean



## SCHEDULE 1

### Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

<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) (a) Works for Parts C.3 (c) and (d) of the Project	410,000	85%
(b) Works for Part D.3 of the Project	520,000	
(2) Goods for Part C of the Project	480,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(3) Consultants' Services		100%
(a) for Parts B and C of the Project	1,640,000	
(b) for Part D (other than D.3) of the Project	80,000	
(c) for Part D.3 of the Project	80,000	

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training		100%
(a) for Parts B and C of the Project	330,000	
(b) for Part D of the Project	190,000	
(5) Operating Costs		80% for payments made until September 30, 1999; thereafter 60% for payments made until September 30, 2001; and 40% thereafter
(a) for Parts B and C of the Project	370,000	
(b) for Part D of the Project	80,000	
(6) Beneficiary Grants	900,000	100% of the amount of the Beneficiary Grant
(7) Unallocated	<u>220,000</u>	
TOTAL	<u>5,300,000</u> =====	

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) “Training” means workshops, conferences and seminars, courses, study tours and related expenses (including travel and per diem) for attendance to training and

promotion and dissemination activities to be carried out under Parts B, C and D of the Project; and

(d) "Operating Costs" means the cost of salaries of MARENA's staff working in protected areas, maintenance and utilities of office facilities of the Project Unit, operation, repair and/or maintenance of equipment and vehicles (including insurance) procured under the Project, the travel costs of staff of NEF, MARENA, RAAS, RAAN, the Demarcation Commission and the Local Commissions directly related to the discharge of their Project duties and travel costs of selected indigenous representatives approved by the Bank to attend meetings related to the implementation of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR530,000, may be made on account of payments made for expenditures before that date but after April 14, 1997;

(b) payments made for expenditures for Part A of the Project, under Category (6) of the table in paragraph 1 of this Schedule, unless:

- (i) a decree regulating, in form and substance satisfactory to the Bank, the operations of NEF shall have been enacted by the Recipient and published in the Gazette;
- (ii) the Board of Directors of NEF shall have been constituted and an interim director for NEF shall have been appointed or designated;
- (iii) NEF shall have adopted the Operational Manual;
- (iv) the NEF Subsidiary Agreement shall have been executed by the Recipient and NEF;
- (v) the NEF/RAAN Implementation Agreement and the NEF/RAAS Implementation Agreement shall have been entered into between the parties thereto; and
- (vi) the Local Commissions shall have been established.

(c) payments made for expenditures for Part D.3 of the Project, under Subcategories (1) (b) and (3) (c) in the table in paragraph 1 of this Schedule, unless the decree or decrees included in the Demarcation and Titling Legislation shall have been

enacted and, if applicable, a new agency for the implementation of Part D.3 of the Project shall have been established and staffed in a manner satisfactory to the Bank.

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 and works, as the case may be, procured in accordance with the provisions of Section I, Parts B.2 (other than those for which prior review is required under Part C.2 of Section I of Schedule 3 of this Agreement), B.3, B.4 and B.5 of Schedule 3 to this Agreement; training, operating costs and Beneficiary Grants under Categories (4), (5) and (6) respectively, of the table in paragraph 1 to this Schedule; and (b) consultants' services under contracts costing less than \$100,000 equivalent for consulting firms, and \$30,000 equivalent for individual consultants, 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.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to promote the integrity of the Atlantic Biological Corridor by ensuring the conservation and sustainable use of biological resources in the region.

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: Subprojects

Financing of Subprojects through Beneficiary Grants.

#### Part B: Public Communication and Education Campaign

Carrying out programs for the promotion and dissemination, at the international, national and local levels, of the Atlantic Biological Corridor.

#### Part C: Planning and Monitoring of the Atlantic Biological Corridor and Conservation of Biodiversity Priority Areas

1. Preparation and implementation of a conservation strategy for the Atlantic Biological Corridor including, inter alia:

(a) studies for further definition of the corridor and for preparing an ecotourism strategy for Nicaragua;

(b) workshops and consultations with technical experts and private sector representatives, as required to issue detailed maps of the corridor including GIS works required therefor;

(c) design and dissemination of a methodology for participatory planning and mapping of the Atlantic Biological Corridor at the municipal and community levels, and training on, and implementation of, such methodology in selected areas.

(d) strengthening of RAAN's and RAAS' capabilities for the coordination of assistance by international donors through annual meetings of such donors with representatives of regional groups active in environment, biodiversity, natural resources and rural development.

2. Implementation of a plan for the monitoring of the Atlantic Biological Corridor, including, inter alia:

(a) the establishment of a system whereby social, economic and environmental information on the Corridor could be stored, accessed and disseminated, and training on such system to agencies and other stakeholders participating in the monitoring network of the Corridor; and

(b) the collection, analysis and presentation of data on key indicators of the status of the Corridor and the biodiversity resources thereof.

3. Strengthening of MARENA's, RAAN's and RAAS' capabilities in the management of the Cerro Silva and Cerro Wawashan forestry reserves, and any other reserve or protected area within the Atlantic Biological Corridor as the Bank may agree, through, *inter alia*:

(a) technical assistance for the formulation of management plans therefor;

(b) training of staff of MARENA, RAAN, RAAS and other concerned agencies, in the formulation, monitoring and enforcement of management plans therefor;

(c) demarcation of the boundaries therefor; and

(d) construction and equipping of reserve or park management infrastructure including, *inter alia*, buildings, access roads and observation towers.

#### Part D: Indigenous Communities Development

1. Training of indigenous communities residing within the Atlantic Biological Corridor in land tenure issues, the management of natural resources, the development of management plans, the preparation and carrying out of Subprojects, community organization, and the legal aspects related thereto.

2. Preparation of the Demarcation and Titling Legislation and regulations thereof, and of other legislation necessary for the furtherance of indigenous peoples rights.

3. Carrying out of Demarcation Activities.

\* \* \*

The Project is expected to be completed by September 30, 2002.

### **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 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: Procurement Procedures

###### 1. Limited International Bidding

Vehicles shall be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

###### 2. National Competitive Bidding

Except as provided in Part B.3, B.4, and B.5 hereof, goods (other than vehicles) and works (including mapping and demarcation services), shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. In the procurement of goods and works in accordance with this Part B.2, the Recipient shall use standard bidding documents satisfactory to the Bank.

###### 3. International and National Shopping

Goods (other than vehicles) estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed: (i) in respect of goods other than for Subprojects \$490,000 equivalent; and (ii) in respect of goods for Subprojects \$1,200,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 4. Procurement of Small Works

Works (including mapping and demarcation services) estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed: (i) in respect of works (other than for Subprojects) \$620,000 equivalent; and (ii) in respect of works for Subprojects \$1,200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three 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. Direct Contracting

Works to be carried out predominantly in distant or scattered rural areas and where competitive proposals cannot be obtained, estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed: (i) in respect of works (other than for Subprojects) \$210,000 equivalent; and (ii) in respect of works for Subprojects \$320,000 equivalent may be procured directly from a contractor eligible under the Guidelines.

Part C: 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

With respect to: (i) each contract procured pursuant to the provisions of Part B.1 hereof; and (ii) the first two contracts for goods and works procured pursuant to the provisions of Part B.2 hereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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



## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (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 short list of consultants for services estimated to cost less than \$50,000 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. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount of \$600,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 2. Individual Consultants

Services estimated to cost less than \$30,000 equivalent per contract up to an aggregate amount of \$600,000 equivalent may 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 \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 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**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Category” means, in respect of the NEF Special Account, Category (6), and in respect of the MARENA Special Account, Categories (1), (2), (3), (4), and (5), all set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for 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 \$80,000 in respect of the NEF Special Account and an amount equivalent to \$320,000 in respect of the MARENA Special Account to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Bank requests for deposits into the respective 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 respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.