

**CONFORMED COPY**

**GEF TRUST FUND GRANT NUMBER TF056628**

# **Global Environment Facility Grant Agreement**

**(Rural Productivity and Consolidation of the Atlantic Mesoamerican  
Biological Corridor Project)**

**between**

**REPUBLIC of PANAMA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated June 23, 2006**

**GLOBAL ENVIRONMENT FACILITY GRANT AGREEMENT**

AGREEMENT dated June 23, 2006, entered into between REPUBLIC of PANAMA (“Recipient”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), acting as an implementing agency of the Global Environment Facility, established pursuant to Resolution No. 91-5 of March 14, 1991 and Resolution No. 94-2 of May 24, 1994 of the Executive Directors of the World Bank (“GEF”) for grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF (“GEF Grant Agreement”). The Recipient and the Bank hereby agree as follows:

**ARTICLE I – GEF STANDARD CONDITIONS; DEFINITIONS**

- 1.01. The GEF Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the GEF Grant Agreement have the meanings ascribed to them in the GEF Standard Conditions or in the Appendix to this Agreement.

**ARTICLE II – THE PROJECT**

- 2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause ANAM to carry out the Project in accordance with the provisions of Article II of the GEF Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE III — THE GRANT**

- 3.01. The Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million Dollars (USD 6,000,000) (“GEF Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the GEF Grant in accordance with Section IV of Schedule 2 to this Agreement.

#### **ARTICLE IV – EFFECTIVENESS; TERMINATION**

- 4.01. The Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and ANAM and has become effective.
- 4.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and ANAM and is legally binding upon the Recipient and ANAM in accordance with its terms (as evidenced by an opinion satisfactory to the Bank of counsel acceptable to the Bank).
- 4.03. Without prejudice to the provisions of the GEF Standard Conditions, the Effectiveness Deadline is the date (90) days after the date of this Agreement, but in no case later than the eighteen months after the Bank's approval of the GEF Grant Agreement which expire on December 24, 2007.
- 4.04. For purposes of Section 6.01 of the GEF Standard Conditions, the date on which the obligations of the Recipient under the GEF Grant Agreement shall terminate is the date 20 years after the date of the GEF Grant Agreement.
- 4.05. If, before the Effective Date, any event has occurred which would have entitled the Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

#### **ARTICLE V – REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative referred to in Section 6.03 of the GEF Standard Conditions is its Minister of Economy and Finance.
- 5.02. The Recipient's Address referred to in Section 6.02 of the GEF Standard Conditions is:

Ministerio de Economía y Finanzas  
 Dirección de Cooperación Técnica Internacional  
 Vía España, Calle 52  
 Edificio OGAWA, 2 Piso  
 Panamá, República de Panamá  
 Facsimile: (507) 269-5863

- 5.03. The Bank's Address referred to in Section 6.02 of the GEF Standard Conditions is:

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

Cable Address:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PANAMA

By /s/ Federico Humbert

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an Implementing Agency of the  
Global Environment Facility

By /s/ Jane Armitage

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to conserve globally important biodiversity and protected associated forest, mountain, coastal and marine ecosystems in the Recipient's territory by: (a) improving the effective management of SINAP at the national, provincial, *Comarca* and district levels; and (b) supporting investments in natural resource management and productive opportunities for CBOs of the Project Area.

The Project consists of the following parts:

#### Part 1: Community Investments in Environmental Resources for the Project Area

A. Provision of grants to Beneficiary CBOs for the carrying out of Environmental Investment Subprojects to improve natural resource and environmental management, including, *inter alia*, for: (i) environmentally-oriented rural businesses; (ii) management of natural resources for alternative products; (iii) restoration and maintenance of environmental assets; and (iv) raising of their competitiveness in domestic and global markets.

B. Provision of technical advisory services to support the principles, processes and activities that promote conservation, protection, restoration and sustainable use of natural resources and biodiversity through: (i) the improvement of the technical knowledge of local communities and producer groups; (ii) the development of rural businesses and natural resource management initiatives; (iii) the identification and preparation of Environmental Investment Subprojects; and (iv) the provision of support to related marketing and commercialization activities.

#### Part 2: Management of Natural Resources and Strengthening of SINAP

A. Strengthening of SINAP through the provision of: (i) support for increased co-management arrangements in Protected Areas; and (ii) technical advisory services for conservation of at-risk ecosystems in the Panama Atlantic Mesoamerican Biological Corridor.

B. Strengthening of local participation and decentralization of environmental management through the provision of support to: (i) municipal governments and *Comarcas* to establish, staff, train and equip UAMs; (ii) the national, provincial and district governments and *Comarcas* to establish, train and equip CCAs; (iii) UAMs to identify, design, evaluate, implement, supervise and monitor Municipal Pilot Subprojects in conformity with municipal environmental management plans and land use plans.

C. Establishment of alternative sources of financing for natural resource management and biodiversity conservation through: (i) the development of payment for environmental services mechanisms for selected watersheds; and (ii) the strengthening of ANAM's institutional capacity to design, develop, pilot and manage a range of sustainable financing instruments in Protected Areas.

#### Part 3: Monitoring, Evaluation and Project Management

A. Strengthening of ANAM's capacity for monitoring the SINAP and evaluating biodiversity conservation interventions through: (i) the purchase of hardware and software equipment for the Protected Areas monitoring system and the national monitoring system for biodiversity; and (ii) capacity building for the Protected Areas monitoring system and the national

monitoring system for biodiversity, including their integration with the national environmental information system and international biodiversity information networks.

B. Provision of support for ANAM's Project implementation activities.

**SCHEDULE 2****Project Execution****Section I. Subsidiary Financing; Institutional and Other Arrangements****A. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the GEF Grant available to ANAM under a subsidiary agreement to be entered into between the Recipient and ANAM, under terms and conditions approved by the Bank.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Grant. Except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**B. Implementation Documents**

1. (a) The Recipient has caused ANAM to adopt an operational manual dated April 24, 2006 (the Operational Manual) satisfactory to the Bank and therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:
  - (i) (A) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the detailed institutional arrangements in respect thereof;
  - (ii) the Project administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;
  - (iii) the criteria for: (A) the eligibility of Beneficiary Municipalities; (B) the selection, approval, implementation, monitoring and evaluation of the Municipal Pilot Subprojects; and (C) the model forms for the Municipal Pilot Subproject Agreements;
  - (iv) the Environmental Management Plan, the Resettlement Policy Framework and the IPP;
  - (v) the plan for the training and capacity building activities under the Project;
  - (vi) the plan for the monitoring and supervision of the Project, including all environmental, macroeconomic and social aspects in relation thereto; and
  - (vii) the performance indicators for the Project.
- (b) The Recipient shall cause ANAM to carry out the Project in accordance with the OM.

2. In the event that any provision of the OM shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
3. The OM may be amended from time to time only with the Bank's prior written consent.

**C. Other Implementation Arrangements**

1. Not later than 1 month after the Effective Date, the Recipient shall cause ANAM to: (a) select, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement and pursuant to terms of reference previously agreed with the Bank, an agent acceptable to the Bank, and thereafter; (b) following the carrying out of a financial management assessment thereof, to enter into an agreement for the administration of Grant proceeds (the Fiduciary Agency Agreement) with the agent finally retained, under terms and conditions satisfactory to the Bank.
2. Not later than 1 month after the Effective Date, the Recipient shall cause ANAM to prepare, satisfactory to the Bank, Environmental Investment Subprojects Guidelines for the approval, implementation, monitoring and evaluation of the Environmental Investment Subprojects, including, *inter alia*: (a) the eligibility criteria for Beneficiary CBOs; (b) the selection criteria for the Environmental Investment Subprojects; (c) the investment sites screening criteria; and (d) the model forms for the Environmental Investment Subproject Agreements.
3. The Recipient shall ensure through ANAM that the Environmental Investment Subprojects and the Municipal Pilot Subprojects are appraised, managed, implemented and monitored in conformity with the OM and the Environmental Investment Subproject Guidelines, respectively.

**Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports**

1. The Recipient shall cause ANAM to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06. of the GEF Standard Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
2. The Recipient shall cause ANAM to prepare a Recipient's Completion Report in accordance with the provisions of Section 2.06. (d) of the GEF Standard Conditions. The Recipient's Completion Report shall be furnished to the World Bank no later than December 16, 2013.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall cause ANAM to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the GEF Standard Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause ANAM to prepare and furnish to the Bank as part of the Project Report not later than one



month after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Recipient shall cause ANAM to have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the GEF Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of ANAM. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods, Works and Related Non-Consulting Services.** All goods, works and related non-consulting services required for the Project and to be financed out of the proceeds of the GEF Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the GEF Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Related Non-Consulting Services**

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and related non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures:
  - (a) Bids may be submitted before bid opening, either by mail or courier or in person.
  - (b) No bids or proposals shall be rejected, and no provisional awards shall be made at the time of bid opening.
  - (c) No minimum number of bids or proposals shall be required as a condition to award a contract.
  - (d) Contracts shall be awarded to the bidder whose bid has been evaluated as the lowest responsive bid, in accordance with criteria clearly set forth in the standard bidding documents.
2. **Other Methods of Procurement of Goods, Works and Related Non-Consulting Services.** The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods, works and related non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) Shopping, subject to using Standard Bidding Documents agreed with the Bank
(b) Direct contracting, subject to the Bank's prior consent
(c) Community Participation in Procurement, as set forth in the OM and the Environmental Investment Subproject Guidelines

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection, subject to the following procedures concerning foreign consultants who shall not be required to:

- (a) be locally registered as a condition of participation in the selection process;
- (b) be required to enter into an association with other firms to submit a proposal or sign a contract;
- (c) furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; or
- (d) submit their proposals in person.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Single-Source Selection, subject to the Bank's prior Consent
(d) Selection of Individual Consultants, including through Single-Source Selection requiring Bank's prior consent

**D. Review by the Bank of Procurement Decisions**

1. The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of the Proceeds of the GEF Grant**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the GEF Standard Conditions and the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the GEF Grant (“Category”), the allocations of the amounts of the GEF Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b><u>Category</u></b>	<b><u>Amount of the GEF Grant Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be Financed</u></b>
(1) Goods and works (and related non consulting services), consultants’ services, training and operating costs under Part 1.B., Part 2.A, Part 2.B (i), and (ii), Part 2.C and Part 3 of the Project	3,260,000	100%
(2) Goods, works (and related non consulting services), consultants’ services and operating costs for Environmental Investment Subprojects under Part 1.A of the Project	2,300,000	100%
(3) Goods, works (and related non consulting services), consultants’ services and operating costs for Municipal Pilot Subprojects under Part 2.B(iii) of the Project	240,000	100%
(4) Unallocated	200,000	
<b>TOTAL AMOUNT</b>	<b>6,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
  - (a) payments made prior to the date of this Agreement;
  - (b) payments under Category (2) for a specific Environmental Investment Subproject, unless; (i) the provisions of Section 1.C.2 of Schedule 2 to this Agreement shall have been previously complied with; and (ii) an Environmental Investment Subproject Agreement, including environmental management measures and, when needed, resettlement framework procedures in relation thereto, shall have been entered into between ANAM and the respective Beneficiary CBO, all in accordance with the procedures, the terms and the conditions referred to in of the Environmental Investment Subproject Guidelines; and
  - (c) payments under Category (3) for a specific Municipal Pilot Subproject, unless a Municipal Pilot Subproject Agreement, including environmental management measures and, when needed, resettlement framework procedures in relation thereto, shall have been entered into between ANAM and the respective Beneficiary Municipality, all in accordance with the procedures, the terms and the conditions referred to in of the OM.
2. The Closing Date is June 28, 2013.

**APPENDIX****Section I. Definitions**

1. “Additional Legal Matter” means each matter specified in this Agreement or requested by the Bank in connection with this Agreement for the purpose of complying with the requirement that this Agreement shall not become effective until evidence satisfactory to the Bank has been furnished to the Bank that the conditions specified in Section 4.02 of this Agreement have been satisfied.
2. “ANAM” means *Autoridad Nacional del Ambiente*, the Recipient’s National Environment Authority, established by *Ley* no. 41 dated July 1, 1998.
3. “Beneficiary CBO” means a CBO in the Project Area (as hereinafter defined) to which a grant is made, or proposed to be made, under the Project for the carrying out of an Environmental Investment Subproject.
4. “Beneficiary Municipality” means a territorial subdivision of the Recipient’s territory to which a grant is made, or proposed to be made, under the Project for the carrying out of a Municipal Pilot Subproject.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “CBO” means a community-based organization, including a rural producer organization, established and operating pursuant to the laws of the Recipient.
7. “CCA” means *Comisión Consultiva Ambiental*, an environmental consultative commission which, pursuant to *Ley* no. 41 of the Recipient, was established by *decreto ejecutivo* no. 57 dated March 16, 2000.
8. “Comarca” means an administrative area within the Recipient’s territory as defined under the Recipient’s Constitution.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
10. “Dollar”, “\$” and “USD” each means the lawful currency of the United States of America.
11. “Effectiveness Condition” means any condition which must be met by the Recipient before this Agreement can become effective after evidence thereof shall have been furnished satisfactory to the Bank.
12. “Effective Date” means the date upon which the Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to the paragraph (11) above.
13. “Effectiveness Deadline” means the date by which this Agreement and all obligations of the parties thereunder shall terminate if this Agreement has not entered into effect by the date referred to in Section 4.03 of this Agreement unless the Bank, after consideration of the reasons for the delay, establishes a later Effectiveness Deadline for the purpose of this

- Agreement. The Bank shall promptly notify the Recipient of such later Effectiveness Deadline.
14. “Environmental Investment Subproject” means a specific environmental, development or income generating set of activities to be carried out by a Beneficiary CBO utilizing the proceeds of a grant made under Part 1.A of the Project.
  15. “Environmental Investment Subproject Agreement” means the agreement to be entered into between ANAM and a Beneficiary CBO for the carrying out of an Environmental Investment Subproject.
  16. “Environmental Investment Subproject Guidelines” means the guidelines referred to in Section I.C.2 of Schedule 2 to this Agreement.
  17. “Environmental Management Plan” means the Recipient’s plan for the management of environmental aspects of the Project submitted to the Bank on February 16, 2006, as may be amended from time to time with the prior approval of the Bank.
  18. “Fiduciary Agency Agreement” means the agreement to be entered into between ANAM and an agent pursuant to Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time.
  19. “GEF Standard Conditions” means the “GEF Standard Conditions for Grants made by the World Bank as an Implementing Agency of the Global Environment Facility” dated March 22, 2006.
  20. “IPP” means the Recipient’s Indigenous People’s Plan for the Project, disclosed to the public on February 16, 2006.
  21. “Municipal Pilot Subproject” means a pilot environmental investment subproject to be carried out by a Beneficiary Municipality under Part 2.B. (iii) of Schedule 1 to this Agreement.
  22. “Municipal Pilot Subproject Agreement” means an agreement between ANAM and a Beneficiary Municipality as referred to in section I.B.1(iii) of Schedule 2 to this Agreement.
  23. “Operating Costs” means in respect of Categories 1, 2 and 3 in the table of Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees.
  24. “Operational Manual” or “OM” means the manual for Project implementation dated April 24, 2006 referred to in Section I.B.1 of Schedule 2 to this Agreement.
  25. “Panama Atlantic Mesoamerican Biological Corridor” means the area in the Recipient’s territory described as such in the Operational Manual.
  26. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

27. “Procurement Plan” means the Recipient’s procurement plan for the Project, signed by the Recipient and dated April 24, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
28. “Project Area” means Protected Areas and corridors between these Protected Areas in the Recipient’s territory, selected for Project implementation according to socio-economic, environmental and institutional criteria and further specified in the Operational Manual.
29. “Protected Areas” means collectively the Recipient’s biodiversity areas (including buffer zones) as established under article 66 of *Ley* no.41 of the Recipient dated July 1, 1998.
30. “Resettlement Policy Framework” means the process framework to be prepared in respect of Project Area persons to be potentially displaced on account of Project (including Environmental Investment Subproject and Municipal Pilot Subproject) implementation.
31. “SINAP” means *Sistema Nacional de Áreas Protegidas*, the Recipient’s National Protected Areas System established pursuant to *Ley* 41 of the Recipient dated July 1, 1998, as described and regulated in ANAM’s Resolution No. JD-09-94 of June 29, 1994 as amended to date.
32. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the GEF Grant available to ANAM.
33. “Training” means in respect of Category (1) in the table of Section IV.A.2 of Schedule 2 to this Agreement: (i) reasonable travel, room, board and per diem expenditures as incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under said Section IV.A.2 of Schedule 2 to this Agreement.
34. “UAM” means *Unidad Ambiental Municipal*, an Environmental Unit established for Municipalities under *decreto ejecutivo* no. 59 of the Recipient adopted pursuant to its *Ley* no. 41 dated July 1, 1998.