

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF028267 UA

Global Environment Facility Trust Fund Grant Agreement

(Azov-Black Sea Corridor Biodiversity Conservation Project)

between

UKRAINE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated January 31, 2002

GEF TRUST FUND GRANT NUMBER TF028267 UA

**GLOBAL ENVIRONMENT FACILITY
TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated January 31, 2002, between UKRAINE (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 Single Currency Loans of the Bank, dated May 30, 1995, (as amended through October 6, 1999) with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (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, 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.
- (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 Borrower 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.”; and
 - (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.”

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) “Beneficiary” means the beneficiary of a grant for a SubprojectSub-project (as hereinafter defined) prepared under Parts B3 and D2 of the Project, which has been selected according to the criteria set forth in the Small Grants Guidelines (as hereinafter defined), and which may include non-governmental organizations, local business organizations, local administrations, protected area administrations, local community groups, family groups, or individuals;

(b) “Coastal Protected Area Plan” means the plan referred to in Part A of the Project;

(c) “Corridor” means the Azov-Black Sea Coastal Corridor, in the territory of the Recipient;

(d) “Environmental Management Plan” means the plan, satisfactory to the Bank, prepared and adopted by the Recipient in accordance with the Recipient’s legislation, describing the environmental mitigation, monitoring, and institutional measures under the Project;

(e) “MENR” means the Recipient’s Ministry of Environment and Natural Resources;

(f) “NGO” means a non-governmental organization;

(g) “LAC” means Local Advisory Committee referred to in paragraph 4 of Schedule 4 to this Agreement;

(h) “PIU” or “Project Implementation Unit” means the nonprofit organization “InterEcoCentre,” a charitable organization established pursuant to legislation of the Recipient pertaining to citizens’ associations and charitable organizations, and operating pursuant to its statutes registered with the Department of Justice of the City of Kyiv, under Registration No. 0006-98, dated May 11, 1998, Project Implementation Unit, contracted by MENR for the purpose of assisting with Project implementation;

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

(j) “PSC” means the Project Steering Committee in Kiev referred to in paragraph 3 of Schedule 4 to this Agreement;

(k) “Ramsar Site” means the wetland sites designated by the Recipient pursuant to Article 2.1 of the Ramsar Convention on Wetlands signed in Ramsar, Iran, on February 2, 1971;

(l) “SAC” means the Scientific Advisory Committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(m) “Small Grants” means grants as described in Parts B3 and D2 of the Project, and financed out of the proceeds of the GEF Trust Fund Grant;

(n) “Small Grants Guidelines” means the Guidelines to be adopted by the Recipient, pursuant to paragraph 3 (b) of Schedule 1 to this Agreement, containing detailed arrangements regarding the implementation of Parts B3 and D2 of the Project, including the eligibility and environmental criteria and procedures, to be used in the selection of Beneficiaries or SubprojectSub-projects, as the same may be amended from time to time, in consultation with and with the consent of the Bank, and such term includes any schedules to the Small Grants Guidelines;

(o) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(p) “SubprojectSub-project” means any of the activities prepared and carried out under Parts B3 and D2 of the Project through Small Grants.

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 six hundred thousand Special Drawing Rights (SDR 5,600,000).

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, amounts to be paid) by the Recipient on account of withdrawals made by a Beneficiary under a SubprojectSub-project to meet the reasonable cost of goods, works and services required for the SubprojectSub-project 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, works 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 a special deposit account in a commercial bank 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 Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006June 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 through MENR, with due diligence and efficiency and in conformity with appropriate 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. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

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

Section 3.04. The Recipient shall, not later than November 30 of each year, furnish to the Bank its annual work plans and budgets for each year of Project implementation. The Recipient and the Bank shall discuss preliminary annual work plans and budgets, at a joint review, and, after incorporating the comments of the Bank, the Recipient shall, not later than December 31, adopt the annual work plans and budgets.

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain 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 related to the Project.

(b) The Recipient shall:

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

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

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

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

(i) maintain or cause to be maintained, 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 Project Management Reports or 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 its financial management system for the Project in order to enable the Recipient, not later than December 31, 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 GEF Trust Fund Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, 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 GEF Trust Fund 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.

Section 4.03. (a) The Borrower shall cause the PIU to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) The Borrower shall cause the PIU to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 (6) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) 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, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Effectiveness, Termination

Section 5.01. The following event is specified as a condition to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that the Recipient has, in accordance with the provisions of Section II of Schedule 3 to this Agreement, appointed the auditors for the Project.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

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

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Environment and Natural Resources Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Ministry of Environment
and Natural Resources
5 Khreshchatyk Street
Kyiv, Ukraine

Fax:

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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 Kyiv, Ukraine, as of the day and year first above written.

UKRAINE

By /s/ Sergei Kurykin

Authorized Representative

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

By /s/ Gregory Jedrzejczak

Authorized Representative

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) Works	420,000	100% of foreign

		expenditures, 80% of local expenditures
(2) Goods	1,150,000	100% of foreign expenditures, 100% of local expenditures (ex-factory costs), and 80% of local expenditures for other items procured locally
(3) Consultants' services	2,300,000	10080%
(4) Small Grants	730,000	100%
(5) Incremental Operating Costs	440,000	950%
(6) Unallocated	560,000	
TOTAL	5,600,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means incremental expenditures incurred by the PIU, or by any protected area administration for a and the protected areas financed under Part C of the Project, on account of Project implementation, management and monitoring, including office supplies and materials, postage, promotional materials, press release, software upgrades, travel, office communication, office rental and maintenance costs, and costs of vehicle operation and maintenance; and

(d) the term "consultants' services" means consultant fees paid for services related to project implementation including fees for consultants, audit expenses, training costs, study tours and workshops.

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 amount not exceeding SDR 40,000 equivalent, may be made for expenditures under Categories (3) and (5) for expenditures before that date but after April 1, 2001; and (b) payments made under Category 4, unless the Recipient has adopted the Small Grants Guidelines, in form and substance 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: (i) goods and works under contracts costing less than \$50,000 equivalent; (ii) services of consulting firms, under contracts costing less than \$100,000 equivalent; (iii) services of individual consultants, under contracts costing less than \$25,000 equivalent; and (iv) all training, Small Grants and incremental operating costs, 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 conserve biodiversity within the Azov-Black Sea coastal corridor by strengthening the protected area network, by mainstreaming biodiversity conservation into the agricultural landscapes which connect them, and by building support at the national and international levels for sustainable development of the region's biological and cultural landscapes.

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: Protected Area and Corridor Planning

1. Provision of technical advisory services to: (a) prepare an inventory of natural areas, including steppe, forest, and wetland habitats, based on remote sensing and field surveys; and (b) carry out targeted field surveys to identify important fishery spawning grounds, water-bird foraging and nesting sites, movement corridors, and other ecologically important features of the Corridor.

2. Establishment of a monitoring program to determine trends in the status of biodiversity in the Corridor, to gauge the health of coastal ecosystems at the landscape level, and to monitor impacts to the key Ramsar sites.

3. (a) Development and finalization of a Coastal Protected Area Plan, based on workshops with local stakeholders and in congruence with internationally accepted criteria for protection and management, economic analysis of the role of protected areas in local economies, and financing needs for their long-term operation that emphasizes cost recovery mechanisms.

(b) Preparation of a publication summarizing the Coastal Protected Area Plan, including its objectives and content, and the activities to be carried out thereunder, for presentation at a national conference.

4. Preparation of pilot land-use plans in the coastal areas of Kherson oblast and the zone of influence around the proposed Sivash National Nature Park in Crimea, and based on lessons learned and models developed therein, carrying out of land use planning in the coastal zones of Odessa, Mykolaiv, Zaporizhia, and Donetsk oblasts.

Part B: Biodiversity Conservation Capacity and Awareness Building

1. Building awareness in wetlands conservation and management in selected urban and rural kindergartens, schools and universities through the provision of educational materials (curricula, brochures and other printed material), equipment, and program costs for primary and secondary schools.
2. Preparation and publication of educational materials on wetlands conservation and waterfowl management training for hunters, and on birds of coastal Ukraine.
3. Establishment and operation of a small grants program to carry out Sub-projects prepared by selected Beneficiaries, which promote biodiversity conservation in existing or proposed protected areas in the Corridor and their support zones and build awareness and support among local communities, including the provision of goods and services required therefor.
4. Enhancement of regional expertise exchanges and international cooperation in the areas of wetlands conservation and waterfowl flyway management, through the organization of workshops on the implementation of international agreements related to wetlands and water bird conservation to which the Recipient is a signatory.

Part C: Protected Areas Management

1. Provision of technical advisory services, studies, infrastructure and equipment needed for the creation or expansion of protected areas, including organization of workshops with local land and resource users, landowners, governmental agencies, and non-governmental organizations, and preparation of necessary legal instruments.
2. Preparation of management plans for four selected sites, including the lands in private and cooperative ownership.
3. Carrying out of professional development and training programs which focus on the protected areas administration and management planning, wetland and water bird ecology, management, and monitoring, and warden skills.

Part D: Biodiversity-friendly Agriculture Practices Demonstration

1. Provision of technical advisory services to farm staff, agricultural institute staff, and non-governmental organizations in the agricultural practices and in the financial issues relevant for farm business planning to facilitate changes in agricultural land use and production methods which reduce agricultural impacts on biodiversity and are economically sustainable.
2. Establishment and operation of a small grants program to carry out Sub-projects prepared by selected Beneficiaries, which promote sustainable agricultural practices, land use and technology, and which address the need for better management of soil, nutrients, livestock and livestock waste and water bodies, and protection of natural habitats (wetlands, forests and steppe), including the provision of equipment, goods, seeds, fuel, and training required therefor.

Part E: Project Management

Provision of operating costs for the PIU and development and carrying out of a communication support program to serve the stakeholders, interested public and those engaged in the activities carried out under the Project.

* * *

The Project is expected to be completed by June 30, 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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part 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 \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$398,000 equivalent, and pre-fabricated warden stations estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$360,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

- (a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$220,000 equivalent, may be procured under contracts awarded on the basis of

international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) As an alternative to the procedures referred to in (a) above, procurement of goods may be arranged through the Inter-Agency Procurement Services Office (IAPSO) of the United Nations Development Program (UNDP) in accordance with the provisions of paragraph 3.9 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 \$382,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$314,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Commercial Practices

Goods to assist the Sub-Recipients in carrying out SubprojectSub-projects under Parts B3 and D2 of the Project, and estimated to cost less than \$10,000 equivalent per contract, may be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to: (i) all contracts awarded in accordance with Part B of this Section; and (ii) all works and goods to be awarded in accordance with Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts to be awarded in accordance with Parts C.2., C.3. and C.4 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality-and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services in connection with the management of the Small Grant program for agriculture under Part D2 of the Project, 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 organizing international conferences, managing the small grant programs, and carrying out the annual project audit, 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 developing and implementing monitoring programs and field studies; and developing field guides, training manuals and the biodiversity information database, 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. Commercial Practices

Services to assist Sub-recipients in carrying out SubprojectSub-projects under Parts B3 and D2 of the Project, and estimated to cost less than \$10,000 equivalent per contract, may be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the quality and competence of the parties rendering them.

4. Individual Consultants

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

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consultants' services, prior Bank review will be required for all terms of reference, irrespective of the contract value.

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

(c) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, 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.

(d) 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 shall carry out the Project through MENR, which shall be responsible, *inter alia*, for providing overall Project coordination and oversight, contracting the Project Implementation Unit, providing assistance to the central and regional PIU offices through its oblast departments, and facilitating collaboration and cooperation with other ministries, institutions and agencies.
2. The Recipient shall, no later than 30 days after the Effective ness Date, for the purpose of the Project, through MENR, conclude a contract with the a Project Implementation Unit, providing arrangements satisfactory to the Bank for assisting MENR with the implementation of the Project, including to be responsible for *inter alia*: (i) procurement of goods and services; (ii) assisting the protected areas and oblast staff to prepare annual work plans and budgets;, and (iii) coordinating the delivery of technical assistance.
3. The Recipient shall maintain: (i) the Project Steering Committee (PSC) comprised of MENR's Project manager and representatives from the MENR, Crimea State Committee for Environmental Protection, and the oblast governments to, *inter alia*, review Project progress, advise and assist in resolving obstacles to Project implementation, and to assist in harmonizing co-operation between different stakeholders at the national and local levels; and (ii) a Scientific Advisory Committee (SAC) comprising of representatives of the Academy of Sciences and agricultural institutes, for the purpose of ensuring quality control.
4. The Recipient shall establish Local Advisory Committees (LACs) for the protected areas and agriculture components, including representatives of local resource user groups, oblast and rayon governments, local communities, and non-governmental organizations.
5. The Recipient shall cause each oblast state department of environment and natural resources participating in the Project to designate one staff member to manage the land use planning activities under Part A of the Project, provide assistance on the protected areas planning activities and agricultural activities under Parts A and C of the Project respectively, and generally facilitate communication and cooperation among oblasts.
6. The Recipient shall cause PIU to implement Parts B3 and D2 of the Project in accordance with the Small Grants Guidelines, and except as the Bank shall otherwise agree, the Recipient shall not amend or waive any provision thereof if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the implementation of Parts B3 and D2 of the Project.
7. The Recipient shall take or cause to be taken, all measures necessary for the carrying out of the Environmental Management Plan in a timely manner.
8. (a) The Recipient shall, not later than October 1, 2004, carry out, through the PIU, jointly with the Bank, and in accordance with indicators acceptable to the Bank, a midterm review of the progress made in the carrying out of the Project.

(b) The midterm review shall cover, *inter alia*, the implementation of measures designed to strengthen the financial reporting, monitoring, accounting and auditing carried out under the Project.

(c) Not later than one month prior to such midterm review, the Borrower shall furnish to the Bank, for its review and comments, a report in such detail as the Bank shall reasonably request, including an evaluation of the progress achieved in complying with Project implementation pursuant to the terms of this Agreement.

(d) Promptly after completing such midterm review, the Recipient shall carry out, or cause the PIU to carry out, the recommendations emanating from the said midterm review.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) 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 \$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$3250,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

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

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

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

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the

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

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

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

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

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

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

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

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

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

Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

