

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF028499

Global Environment Facility Trust Fund Grant Agreement

(Second Environment Program Support Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated March 14 , 1997

GEF TRUST FUND GRANT NUMBER TF028499

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated March 14, 1997, between REPUBLIC OF MADAGASCAR (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 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 International Development Association (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, to provide

additional financing towards the financing of the Project, and by an agreement of even date herewith between the Recipient and the Administrator, the Administrator has agreed to provide such assistance in an aggregate principal amount equivalent to twenty million six hundred thousand Special Drawing Rights (SDR20,600,000) (the Credit); and

(E) the Recipient intends to contract from French Republic (France), Germany, Japan, Switzerland, Kingdom of Norway (Norway), European Union (EU), United States Agency for International Development (USAID), United Nations Development Program (UNDP), UNDP acting as an implementing agency of GEF, International Fund for Agricultural Development (IFAD) and World Wildlife Fund (WWF) (referred to collectively hereinafter as Co-financiers), loans or grants in an aggregate amount equivalent to \$81,000,000 to assist in financing the Project on the terms and conditions set forth in agreements (Co-financing Agreements) to be entered into between the Recipient and such other Co-financiers; 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;
- (18) and (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (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;
- 6.04 and 6.06; (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;
- (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."; 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) "ANAE" means Association Nationale d'Actions Environnementales, the Recipient's National Association for Environmental Actions;

(b) "ANGAP" means Association Nationale pour la Gestion des Aires Protégées, the Recipient's National Association for the Management of Protected Areas;

(c) "CFSIGE" means Centre de Formation des Sciences de l'Information Géographique et Environnementale, the Recipient's Training Center for Geographical and Environmental Information Technology;

(d) "CIME" means Comité Inter-Ministériel de l'Environnement, the Recipient's Inter-Ministerial Committee for the Environment referred to in paragraph 1 of Schedule 4 to this Agreement;

(e) "CNE" means Conseil National de l'Environnement, the Recipient's National Environment Council referred to in paragraph 1 of Schedule 4 to this Agreement;

(f) "Co-financing Agreements" has the same meaning as in the Preamble to this Agreement;

(g) "DD" means Direction des Domaines, the Recipient's Land Titling Directorate;

(h) "DEF" means Direction des Eaux et Forêts, the Recipient's Water and Forest Directorate;

(i) "Interim Fund Development Credit Agreement" means the agreement of even date herewith between the Recipient and the Administrator for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Interim Fund Development Credit Agreement;

(j) "FTM" means Foiben-Taosarintanin'i Madagasikara, the Recipient's National Geographic and Hydrographic Institute;

(k) "ONE" means Office National de l'Environnement, the Recipient's National Environment Office;

(l) "Project Implementation Manual" means the Project Implementation Manual referred to in paragraph 4 of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Program Implementation Plan;

(m) "region" means a political subdivision in the territory of the Recipient;

(n) "RPC" means the regional programming committee referred to in paragraph 3 of Schedule 4 to this Agreement;

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

(p) "Urban Code" means Code de l'Urbanisme et de l'Habitat, the Borrower's Urban Code.

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 eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000).

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 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 Parts A.2 and B 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 June 30, 2002 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 A.1 (b) and A.2 of the Project through DEF, Parts A.3 (a), A.4, C and D (other than D.2 (b) and (c)) of the Project through ONE, and Part A.3 (b) of the Project through DD, with due diligence and efficiency, in conformity with appropriate financial, administrative 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 such Parts of the Project; and

(ii) shall cause ANAE to carry out Parts A.1 (a) and A.5 of the Project, ANGAP to carry out Part B of the Project, CFSIGE to carry out Part D.2 (b) of the Project, and FTM to carry out Part D.2

(c) of the Project, with due diligence and efficiency, in conformity with appropriate financial, administrative and technical practices, and with due regard to ecological and environmental factors, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ANAE, ANGAP, CFSIGE and FTM, respectively, to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by ANAE, ANGAP, CFSIGE and FTM.

(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 Parts A.1 (b), A.2, A.3, A.4, C and D (other than D.2 (b) and (c)) of the Project, and shall cause ANAE, ANGAP, CFSIGE and FTM to carry out Parts A.1 (a) and A.5, Part B, Part D.2 (b), and Part D.2 (c), of the Project, respectively, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

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

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.1 (b), A.2, A.3, A.4, C and D (other than D.2 (b) and (c)) of the Project of the departments or agencies of the Recipient responsible for carrying out such parts thereof.

(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 statements of expenditure, the Recipient shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such

expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

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

Section 4.02. (a) The Recipient shall cause ANAE, ANGAP, CFSIGE and FTM to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of ANAE, ANGAP, CFSIGE and FTM, respectively.

(b) The Recipient shall cause ANAE, ANGAP, CFSIGE and FTM, respectively, to:

(i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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; (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 such records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Other Covenants

Section 5.01. The Recipient shall cause ANAE, ANGAP, CFSIGE and FTM, respectively:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on their operations and conduct their affairs in accordance with sound administrative, financial, technical and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain their plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 5.02. The Recipient shall:

(a) not later than January 31, 1997, appoint a person with qualifications and

experience acceptable to the Bank to the position of Deputy Director-General of ONE;

(b) ensure that the following positions shall continue to be filled at all times by persons having qualifications and experience acceptable to the Bank:

(i) Directors General of ONE, ANAE, ANGAP, CFSIGE and FTM,

(ii) Deputy Director General of ONE, and

(iii) Directors of DEF and DD.

Section 5.03. (a) The Recipient shall, not later than December 31, 1997 or such later date as shall be agreed between the Recipient and the Bank, conduct a review of all major donor-financed operations in rural areas, for which the Recipient is responsible, with a view to determining whether, and to what extent, such operations provide or allow for cost recovery and, if so, whether, and to what extent, cost recovery mechanisms can be introduced or strengthened, as the case may be, under such operations, and harmonized with one another.

(b) Based on the review under paragraph (a) of this Section, the Recipient shall establish, in respect of operations of DEF and DD, and cause ANAE, ANGAP and FTM to establish, in respect of their own respective operations, adequate cost recovery mechanisms, which shall be acceptable to the Bank, and designed to ensure as far as practicable the sustainability of such operations.

Section 5.04. The Recipient shall: (a) not later than June 30, 1997, conduct a review of the institutional capacity of ONE, DEF and DD, and cause ANAE and ANGAP to conduct a review of their own respective institutional capacity, with a view to determining whether, and to what extent, such institutions have the capacity to carry out the corresponding parts of the Project, as specified in Section 3.01 of this Agreement; and (b) based on the results of such review, take, and cause ANAE and ANGAP to take, such measures as may be needed to strengthen the institutional capacity of such institutions.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) ANAE, ANGAP, CFSIGE or FTM shall have failed to perform any of its obligations arising under this Agreement;

(b) as a result of events which have occurred after the date of the Global Environment Facility Trust Fund Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that ANAE, ANGAP, CFSIGE or FTM will be able to perform its obligations arising under this Agreement;

(c) the statutes of ANAE, ANGAP, CFSIGE or FTM shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANAE, ANGAP, CFSIGE or FTM, as the case may be, to perform any of its obligations arising under this Agreement;

(d) the Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ANAE, ANGAP, CFSIGE or FTM, or for the suspension of the operations of ANAE, ANGAP, CFSIGE or FTM;

(e) the Co-financing Agreements or the Interim Fund Development Credit Agreement shall have failed to become effective by December 31, 1997, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes that adequate funds for the Project are available to the Recipient from other sources;

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Recipient to withdraw the proceeds of any

grant or
of the Project shall have
in whole or in part, pursuant to
Agreements or the Interim Fund
Agreement; or

loan made to the Recipient for the financing
been suspended, canceled or terminated
the terms of the Co-financing
Development Credit

agreed (B) any such loan shall have become due and payable prior to the
maturity thereof.

Recipient (ii) Subparagraph (i) of this paragraph shall not apply if the
that: establishes to the satisfaction of the Bank

not caused (A) such suspension, cancellation, termination or prematuring is
obligations under by the failure of the Recipient to perform any of its
such agreement; and

Recipient from (B) adequate funds for the Project are available to the
consistent with the obligations other sources on terms and conditions
of the Recipient under this
Agreement.

ARTICLE VII

Effectiveness; Termination

Section 7.01. 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 CNE and the CIME have been duly established; and

(b) a Project Implementation Manual, acceptable to the Bank, has been adopted
by the Recipient.

Section 7.02. 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 7.03. 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 VIII

Representative of the Recipient; Addresses

Section 8.01. 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 8.02 The following addresses are specified for the purposes of
Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance and Budget
Antananarivo 101
Madagascar

Cable address:

MINFIN
Antananarivo

Telex:

22489

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

REPUBLIC OF MADAGASCAR

By /s/ Tantely Andrianarivo

Authorized Representative

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

Facility

By /s/ Callisto Madavo

Regional Vice President,
Africa

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:

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
1. Civil works under Parts A.2 and B of the Project	\$900,000	85%
2. Goods under Parts A.2 and B of the Project	\$1,000,000	100% of foreign expenditures and 85% of local expenditures
3. Consultants' services and training under Parts A.2 and B	\$2,000,000	100%

of the Project

4. Operating costs under Parts A.2 and B of the Project	\$4,000,000	90% for expenditures incurred up to December 31, 1998, 70% thereafter
5. Unallocated	\$1,000,000	
	<hr/>	
TOTAL	\$8,900,000	=====

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; and

(c) the term "operating costs" means the incremental operating costs incurred under the Project on account of (i) local contractual staff salaries, travel costs and allowances, (ii) maintenance of vehicles and equipment, and (iii) office rent, supplies and utilities.

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

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for civil works under contracts not exceeding \$200,000 equivalent, goods and consultants' services (firms) under contracts not exceeding \$100,000 equivalent, consultants' services (individuals) under contracts not exceeding \$50,000 equivalent, operating costs and training, 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 objectives of the Project are to reverse current environmental degradation trends and to promote sustainable use of natural resources, including soil, water, forest cover and biodiversity, and to create conditions for environmental considerations to become an integral part of macroeconomic and sectoral management in Madagascar.

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

Part A: Generation and Dissemination of Environmentally-Sound Agricultural and Forest Management Practices

1. Sustainable soil and water management. Implementation of (a) about 4,000 sub-projects designed to improve natural resource management and promote sustainable agricultural practices, on a demand-driven basis, for the benefit of local communities; and (b) specific watershed management schemes on a small-scale pilot basis or to protect large-scale infrastructure investments.

2. Multiple use forest ecosystem management. Transfer of responsibility for the management of natural resources to local communities or local governments, including

(a) completion of national ecological forestry inventory, and reconnaissance surveys, in order to establish a full list of forest blocks, and identify possible new protected areas, (b) completion of on-going pilot forest management schemes, (c) formulation of management plans on a participatory basis, and (d) implementation of forest management plans.

3. Support to local natural resource management and land tenure security. Provision of institutional support for local natural resource management, including: (a) establishment of an appropriate legal and regulatory framework, and training of environmental mediators; and (b) provision of training, technical advisory services and equipment to improve the Borrower's capacity for land tenure administration.

4. Support to regional planning and spatial analysis. Establishment of small regional technical units to provide support to RPCs, through provision of advisory services and a full-time secretariat for program management and technical work, and for the formulation of local environmental strategies and sub-projects to be financed under Part A.5 of the Project.

5. Regional fund for environmental management. Establishment of a fund to provide grants to finance environment management sub-projects.

Part B: Protected Areas and Ecotourism

Establishment of a network of protected areas, through (a) surveys and delimitation of affected areas, and implementation of appropriate legal and regulatory measures, (b) construction of infrastructure, and provision of equipment and staff to ensure effective conservation, (c) carrying out of applied conservation research programs to provide the basis for effective monitoring of environmental indicators, (d) promotion of environmental awareness and strengthening environmental education, and (e) promotion of ecotourism.

Part C: Marine and Urban Environment

1. Marine and coastal environment. Formulation of national and multi-local coastal resource management plans to ensure sustainable management of coastal resources, formulation of proposals for a new generation of marine parks, and implementation of multi-local coastal resource management plans.

2. Urban environment. Integration of environmental concerns in urban development policies, through revision of the Urban Code, and support to urban management activities by communities and local governments.

Part D: Environmental Management Tools

1. Strategic activities. (a) Formulation and transfer of environmental policies, strategies and instruments, and (b) making environmental impact assessment operational by setting up environment units at the level of key sector Ministries.

2. Support activities. (a) Execution of an environmental research program, including establishment of a research unit, (b) improvement of environmental content of general education and vocational training, (c) production of key geographic information, (d) establishment of an environmental information system to provide key indicators on the status of environmental resources and the impact of the Project, and (e) support for the coordination and management of the Project, including execution of communication programs and establishment of a consolidated monitoring and evaluation system.

* * *

The Project is expected to be completed by December 31, 2001.

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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B. International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

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

(b) Preference for Domestically Manufactured Goods

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

(c) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, and civil works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 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.

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

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, and works estimated to cost the equivalent of \$200,000 or more, 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. (a) The Recipient shall establish:

(i) a Conseil National de l'Environnement (CNE), whose functions, composition and terms of reference shall be acceptable to the Association, to be responsible for providing high level policy and strategic guidance for the Project; and

(ii) a Comité Inter-Ministériel de l'Environnement (CIME), to be chaired by the Minister of Environment, on behalf of the Prime Minister, and whose functions, composition and terms of reference shall be acceptable to the Association, to be responsible for overall coordination of the activities of the Project.

(b) The Recipient shall, not later than June 30, 1997, designate the individual members of CNE and CIME.

2. The Recipient shall designate:

(a) ONE to have overall responsibility for the operational management and coordination of the Project, and to review and clear proposed work plans and budgets, review the progress of the Project, and address day-to-day issues arising in the course of the implementation of the Project; and

(b) the Director General of ONE to be the Project Coordinator and, as such, to be responsible for the day-to-day management of the Project, including coordination of procurement, disbursement and accounting activities, consolidation of annual work plans and budgets, and progress reports, and supervision of the recruitment and

performance of consultants.

3. Pending completion of the decentralization process and the installation of regional governments in the territory of the Recipient, the Recipient shall establish in each of the regions a regional programming committee to be responsible for the prioritization of activities to be financed under the Project and included in the work program for that region.

4. The Recipient shall:

(a) prepare and submit to the Bank a Project Implementation Manual, acceptable to the Bank, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as agreed with the Bank for purposes of the Project; and

(b) carry out the Project in accordance with procedures set out in the Project Implementation Manual and, except as the Bank shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of the Project.

5. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators referred to in paragraph 4 (a) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than June 30 of each year, undertake, in conjunction with the Bank, ANAE, ANGAP, CFSIGE and FTM, a joint annual review of the Project, (or, in the case of the annual review to be undertaken not later than November 30, 1999, a mid-term review), during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Recipient of its respective obligations under this Agreement, including:

(i) the progress achieved by the Recipient in the implementation of the Project, having regard to the performance indicators referred to in sub-paragraph (a) of this paragraph;

(ii) a review of the proposed work plans and budget for the forthcoming fiscal year;

(iii) in the case of the mid-term review, (A) the progress achieved in the establishment and implementation of cost recovery mechanisms under Section 5.03 (b) of this Agreement, and (B) proposals for such strategic adjustments to the Project as may be deemed necessary or appropriate in furtherance of the objectives of the Project;

(c) not later than one month prior to each annual review, furnish to the Bank, for its comments, a report, in such detail as the Bank shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at such review; and

(d) following each annual review, undertake to act promptly and diligently in order to take, or cause ANAE, ANGAP, CFSIGE and FTM to take, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or cause ANAE, ANGAP, CFSIGE and FTM to implement, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

6. (a) The Recipient shall, not later than November 30 of each year, submit to the Bank, for its approval, proposed annual work plans and budget for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement and training activities, and such other particulars as the Bank may require, including, where applicable, an evaluation of the results of the training program for the current fiscal year.

(b) The Recipient shall submit to the Bank for review:

(i) semi-annual progress reports on the status of the Project to be submitted not later than May 31 and November 30 of each year, including semi-annual procurement reports, giving details of:

(A) revised cost estimates for individual contracts and for the Project, including best estimates of allowances for price contingencies;

(B) revised timing of procurement actions, including advertizing, bidding, contract award and completion time for individual contracts; and

(C) status of compliance with aggregate limits prescribed for specific procurement procedures; and

(ii) reports as needed on the award of contracts under the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A.2 and B of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A.2 and B of 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 \$600,000 in respect of the Special Account for Part A.2 and B of the Project 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 \$300,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A.2 and B of the Project shall be equal to or exceed the equivalent of SDR2,000,000.

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 Parts A.2 and B of 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.

