

CONFORMED COPY

TF028617

Global Environmental Trust Fund
Grant Agreement

(Biodiversity Protection Project)

between

CZECH REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Global Environment
Trust Fund

Dated December 23, 1993

TF028617

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated December 23, 1993, between CZECH REPUBLIC (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET) (the Trustee).

WHEREAS (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established the Global Environment Facility consisting of the GET, Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) certain members of the Bank (the Participants) have provided resources by way of grant into the GET and the Participants have requested and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, provisions of the Resolution;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution; and

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the GET Grant to the Recipient upon the terms and conditions set forth in this

Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (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) Section 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 Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development 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 GET Grant; and
 - (vi) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account.

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

- (a) "PMCU" means the project management and coordination unit referred to in Section 3.02 of this Agreement;
- (b) "Project Area" means an area constituting the Pálava Zone, the Krkonoše

Zone and the Sumava Zone in the territory of the Recipient;

(c) "Project Scientific Committee" means the Project scientific committee referred to in Section 3.03 of this Agreement to be established within the Ministry of Environment;

(d) "Regional Coordinating Offices" means the offices referred to in Section 3.04 of the Agreement to be established within the Ministry of Environment for each of the Sumava, Krkonose and Pálava Transboundary Zones;

(e) "NGO" means non-governmental organization; and

(f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The GET Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to one million five hundred thousand Special Drawing Rights (SDR 1,500,000).

Section 2.02. (a) The amount of the GET Grant may be withdrawn from the GET Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Trustee 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 GET Grant.

(b) The Recipient shall, for the purposes of the Project, open and maintain in a freely convertible currency satisfactory to the Trustee in a special deposit account in a bank acceptable to the Trustee on terms and conditions satisfactory to the Trustee, 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, 1996 or such later date as the Trustee shall establish. The Trustee 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: (i) carry out the Project through the Ministry of the Environment with due diligence and efficiency and in conformity with appropriate administrative and financial practices and with due regard to ecological and environmental factors; (ii) maintain in real terms the current level of funding from its own resources for biodiversity protection activities in the Project Area; and (iii) 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 Trustee 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. The Recipient shall maintain the PMCU within the Ministry of the Environment, under terms of reference satisfactory to the Trustee, with qualified and experienced staff in adequate numbers, under the supervision of a Project coordinator, whose qualifications and experience are satisfactory to the Trustee.

Section 3.03. The Recipient shall by November 30, 1993, establish the Project Scientific Committee under terms of reference satisfactory to the Trustee, comprised of three internationally selected specialists (geneticist, ecologist and land-use specialist) and three specialists from the territory of the Recipient in the same disciplines, whose qualifications and experience are satisfactory to the Trustee, to meet and review on a semi-annual basis the scientific progress of Project implementation.

Section 3.04. The Recipient shall by November 30, 1993 establish the Regional Coordinating Offices under terms of reference satisfactory to the Trustee.

Section 3.05. Except as the Trustee 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 GET Grant shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

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 the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part 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 Trustee;
- (ii) furnish to the Trustee as soon as available, but in any case not later than four 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 Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GET 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 Trustee has received the audit report for the fiscal year in which the last withdrawal from the GET Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following event is specified as a condition to the effectiveness of the GET Grant Agreement, namely, the establishment of the PMCU and the appointment of the Project coordinator referred to in Section 3.02 of this Agreement.

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 GET 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 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
Vrsovicá 65
10010 Praha 10
Czech Republic

Telex:

122298

For the Trustee:

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.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Washington, D.C., as of the day and year first above written.

CZECH REPUBLIC

By /s/ M. Zantovsky

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as Trustee of the Global Environment
Trust Fund

By /s/ C. Wallich

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

1. The table below sets forth the Categories of items to be financed out of the

proceeds of the GET Grant, the allocation of the amounts of the GET Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the GET Grant Allocated (Expressed in Expenditures SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		
(a) for Part A.1(f) of the Project	200,000	100%
(b) for Part A.2(a) of the Project	70,000	30%
(2) Goods and equipment	400,000	100%
(3) Consultants' services and training	300,000	100%
(4) Operating costs (salaries, operations and maintenance)	300,000	100%
(5) Unallocated	230,000	
TOTAL	1,500,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 55,000, may be made in respect of start-up costs for the PMCU, including professional development and training, computer investments and the establishment of an electronic mail system on account of payments made for expenditures under Part C.3 (e) of the Project before that date but after July 1, 1993; (b) in respect of payments made for expenditures under Part A.1(a), (b) and (c), 3(b), Part B.1 and 2 and Part C.2 of the Project, unless financial arrangements and technical specifications for grant investments, satisfactory to the Trustee, have been concluded; and (c) in respect of payments made for expenditures under Part C.1 of the Project unless an agreement, satisfactory to the Trustee, between the Recipient and the European Trust for Natural and Cultural Wealth in Prague specifying the procedures for administering said Part C.1 of the Project has been concluded.

SCHEDULE 2

Description of the Project

The objectives of the Project are to protect and strengthen forest and related ecosystem biodiversity in the Project Area through the protection of three ecosystems-zones, the support of three transnational biodiversity protection networks, and the development of systems of financially sustainable biodiversity protection.

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

Part A: Biodiversity Protection Program

1. Management of Key Ecosystems

(a) Establishment by the Nature Conservation Department of the Ministry of Environment and Forestry Department of the Ministry of Agriculture of a joint landscape ecological management team for each national park from the Project Area and surrounding forest ecosystems.

(b) Establishment of a scientific advisory group to share current advances in conservation biology, restoration ecology and forestry and current concepts of

sustainable forest resource management.

(c) Development by the Nature Conservation Department of the Ministry of Environment and Forestry Department of the Ministry of Agriculture of a joint cooperative strategic plan providing for first priority to the natural restoration and long-term maintenance of the Project Area and surrounding forest ecosystems.

(d) Application of modern concepts of population genetics and ex situ conservation in the restoration of natural plant communities.

(e) Implementation of pilot program for alpine meadow management at Krkonose.

(f) Implementation of pilot program of wetland restoration at Pálava.

2. Development of Community Support

(a) Construction of a research and education center at Pálava.

(b) Enhancement of interpretation and education facilities at Sumava.

(c) Development of environmental education and public awareness strategies at Krkonose.

3. Wildlife Research and Management

(a) Carrying out of a wildlife management program at Sumava.

(b) Carrying out of applied research in wildlife management at Krkonose.

(c) Carrying out of a breeding program for Capercaillie Grouse.

Part B: Conservation Program

1. Preparation of Sustainable Development Strategies.

Adoption of a land-use management planning program.

2. Carrying Capacity and Revenue Mechanisms.

Examination for determination of appropriate carrying capacities of selected environments and examination of the mechanisms, institutional, legal and practical arrangements to use economic measures to maintain carrying capacity at an acceptable level.

3. Demonstration Projects

(a) Development of environmentally sustainable viticulture at Pálava.

(b) Development of model agriculture programs.

Part C: Institutional Infrastructure Improvement Program

1. NGO Small Grants Program

Establishment of the Office of the European Trust for Cultural and Natural Wealth in Prague to administer and evaluate an in-country NGO biodiversity competitive grants program.

2. Computerization, monitoring and data management for environmental programs.

3. Infrastructure Improvement

(a) Carrying out of pre-feasibility studies on treatment and reduction of waste water at Sumava.

(b) Strengthening of infrastructure for management of environmental programs at Sumava.

(c) Development of the administrative infrastructure at Pálava.

(d) Development of monitoring infrastructure at Krkonose.

(e) Strengthening of Project management through the establishment of the PMCU, the Project Scientific Committee and the Regional Coordinating Offices.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

1. Civil works estimated to cost up to an aggregate amount not to exceed the equivalent of \$400,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Trustee.
2. Goods estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations from at least three suppliers from at least three different countries eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures satisfactory to the Trustee.
3. Goods estimated to cost less than the equivalent of \$5,000 per contract, up to an aggregate amount not to exceed the equivalent of \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations from at least three qualified suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Trustee.
4. Goods of a proprietary nature estimated to cost up to an aggregate amount not to exceed the equivalent of \$200,000 may be purchased from suppliers on the basis of negotiated contracts in accordance with procedures satisfactory to the Trustee.

Section II. Employment of Consultants

The Recipient shall employ environmental and other consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis 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.

SCHEDULE 4

Implementation Program

1. The Department of Nature Conservation in the Ministry of the Environment shall be responsible for overall coordination of the Project.
2. The PMCU shall be responsible for implementing the technical and scientific activities of the Project to be carried out in the Project Area and shall coordinate said activities with the Regional Coordinating Offices. This unit shall be staffed by the Project coordinator, a deputy coordinator/accounts specialist and an administrative assistant.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 GET 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 \$200,000

to be withdrawn from the GET Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 Trustee 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 Trustee a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit in 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 Trustee requests for deposits into the Special Account at such intervals as the Trustee shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee 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 Trustee shall, on behalf of the Recipient, withdraw from the GET 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 Trustee from the GET 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 Trustee shall reasonably request, furnish to the Trustee 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 Trustee shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the GET Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee 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 GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee 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 Trustee 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 Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee 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 Trustee 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 Trustee, refund to the Trustee such outstanding amount.

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

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

