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GEF TRUST FUND GRANT NUMBER TF 054515

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

**(Energy Efficiency Project)**

**between**

**REPUBLIC OF BULGARIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

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

**Dated April 11, 2005**

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**GEF TRUST FUND GRANT NUMBER TF 054515**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated April 11, 2005, between REPUBLIC OF BULGARIA (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 third replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 2002-0005 of December 19, 2002, of the Executive Directors of the Bank (Resolution No. 2002-0005);

(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. 2002-0005, which may include funds carried over from the second replenishment of the GEF Trust Fund under Resolution No. 98-2;

(E) the Project will be carried out by the Bulgaria Energy Efficiency Fund (BEEF) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant available to BEEF, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and BEEF (the Project 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), (5), (6), (7), (8), (9), (14), (15), (16), (18) and (21); 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Sections 4.01 and 4.06;
  - (v) Article V;
  - (vi) Sections 6.01; 6.02 (a), (c), (d), (e), (f), (g), (i), (k), (m), (n), (o) and (p); 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), 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6) 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;

- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) 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.”
- (vii) Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its costs and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”

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) “BEEF” means the Bulgaria Energy Efficiency Fund established on November 17, 2004 pursuant to the Recipient’s Energy Efficiency Act, dated March 5, 2004;

(b) “Beneficiaries” and “Beneficiary” mean collectively the individual energy end users and individually the individual energy end user meeting the Eligibility Criteria (hereinafter defined) for assistance under the Project;

(c) “Commercial Bank” means a commercial bank duly established and operating in the Republic of Bulgaria which is eligible, in accordance with the criteria set forth in the Operations Manual, to receive partial credit guarantees from the Partial Credit Guarantee program for loans provided to Beneficiaries;

(d) “Eligibility Criteria” means the criteria for sub-loan financing and partial credit guarantees with proceeds from the GEF Trust Fund Grant, adopted by BEEF (hereinafter defined) and included in the Operations Manual (hereinafter defined), for selection of Beneficiaries under the Project;

(e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(f) “Fund Manager” means the firm which will conduct the daily operations of BEEF and carry out the functions of executive director as defined in the Recipient’s Energy Efficiency Act;

(g) “Guarantee Agreement” means an agreement, the content and terms and conditions of which are set forth in the Operations Manual and which includes, without limitation, definitions of a guarantee holder, covered risks, default and other applicable terms, entered or to be entered into between BEEF and a Commercial Bank pursuant to Section II, paragraph 7 of Schedule 1 to the Project Agreement;

(h) “Guarantee Liability Limit” means a limit of a guarantee commitment under the respective Guarantee Agreement;

(i) “Guarantee Account” means the account to be opened by BEEF for the purpose of receiving funds under Part A of the Project;

(j) “MEER” means the Recipient’s Ministry of Energy and Energy Resources, or any successor thereto;

(k) “Operations Manual” means the manual to be adopted by BEEF with respect to the implementation of the Project, setting forth rules and regulations for implementation of the Project, as the same may be amended from time to time with the agreement of the Bank; and

(l) “Partial Credit Guarantee” means any guarantee provided under Part A of the Project;

(m) “Procurement Plan” means BEEF’s Procurement Plan, dated December 29, 2004, covering the initial eighteen (18) months period or longer of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 2.02 of the Project Agreement, to cover succeeding eighteen (18) months periods or longer of Project implementation;

(n) “Special Accounts” means the accounts referred to in Section 2.03 of this Agreement;

(o) “Sub-loan Agreements” means an agreement, the content and terms and conditions of which are set forth in the Operations Manual, to be entered into between BEEF and the Beneficiary with respect to Part B of the Project; and

(p) “Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and BEEF pursuant to Section 3.01 (b) of this Agreement.

## **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 ten million Dollars (\$10,000,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Recipient on account of Sub-loans made under Part B of the Project to meet the reasonable cost of goods and services required for the Sub-project in respect of which the withdrawal from the GEF Trust Fund account is requested; (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services under Parts C of the Project; and (iii) the funding of a Partial Credit Guarantee program under Part A of the Project required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Recipient may, for the purposes of the Project, open and maintain in Euros two special deposit accounts (Special Account MEER and Special Account BEEF). Special Account MEER shall be maintained in the Recipient’s National Bank. Special Account BEEF shall be maintained 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 Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement, provided, however, that the Special Account MEER shall only be utilized up to the time BEEF has become operational and has met the requirements set forth in paragraph 3 (b) of Schedule 1 to this Agreement.

Section 2.04. The Closing Date shall be March 31, 2010 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: (i) until BEEF has become operational, carry out Part C.1 of the Project through MEER; and (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause BEEF to perform in accordance with the provisions of the Project Agreement all the obligations of BEEF therein set forth and shall not take or permit to be taken any action which would prevent or interfere with such performance, and shall take or cause to be taken all action, including provision of facilities, services and other resources, necessary or appropriate to enable BEEF to perform such obligations.

(b) The Recipient shall make the proceeds of the GEF Trust Fund Grant available to BEEF as a grant, under the Subsidiary Grant Agreement, to be entered into between the Recipient and BEEF under terms and conditions acceptable to the Bank.

(c) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant, and, except as the Bank shall otherwise agree, the Recipient shall not assign, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of goods, works and 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 2 to the Project Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall cause BEEF to update the Procurement Plan in accordance with the guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

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 (6) months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the continued achievement of the objectives 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, and cause BEEF to maintain, a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Bank, consistently applied, adequate to reflect their operations and financial conditions and to register separately the operations, resources and expenditures related to the Project.

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

- (i) have its records, accounts referred to in paragraph (a) of this Section, and financial statements (balance sheets, statements of income and expenses and related statements), 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 (6) 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 cause BEEF to:

- (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.
  
- (d) The Recipient shall cause BEEF to:
  - (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including, statements of income and related statements in respect of the Guarantee Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
  
  - (ii) furnish to the Bank and the Recipient 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 the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements and 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 and the Recipient such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the Recipient's Project progress reporting obligations set out in this Agreement, the Recipient shall, and shall cause BEEF, to prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds.

(b) The first such financial management report shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each financial management report shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

Section 4.03. The Recipient shall transfer MEER's accounting software, capable of producing Financial Monitoring Reports in the format required by the Bank, to BEEF following the Fund Manager's appointment.

## **ARTICLE V**

### **Remedies of the Bank**

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

(a) the Operations Manual or BEEF's statute shall have been amended, suspended, abrogated, repealed or waived without the prior concurrence of the Bank, and such amendment, suspension, abrogation, repeal or waiver affects materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement; and

(b) the Subsidiary Grant Agreement, or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived by the Recipient or BEEF, respectively, without the prior concurrence of the Bank, and such amendment, suspension, abrogation, repeal or waiver affects materially and adversely the ability of the Recipient or BEEF to perform any of its respective obligations under this Agreement.

## **ARTICLE VI**

### **Effectiveness; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement, within the meaning of Section 12.01 of the General Conditions:

(a) the Fund Manager has been appointed under terms and conditions satisfactory to the Bank; and

(b) the Subsidiary Grant Agreement, satisfactory to the Bank, has been duly executed by the Recipient and BEEF.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Grant Agreement has been duly executed by the Recipient and BEEF, and is legally binding upon the Recipient and BEEF, in accordance with its terms and that the Project Agreement has been duly executed by BEEF and is legally binding upon BEEF in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. 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, expected to be within six months after the Closing Date.

## **ARTICLE VII**

### **Representative of the Recipient; Addresses**

Section 7.01. The Minister of Energy and Energy Resources of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Energy and Energy Resources  
8 Triaditza Street  
1040 Sofia  
Republic of Bulgaria

Facsimile:

(359) 2 980 6730

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

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

REPUBLIC OF BULGARIA

By /s/ Miroslav Sevlievski

Authorized Representative

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

By /s/ Oscar de Bruyn Kops

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 Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans under Part B of the Project	4,000,000	100%
(2) Partial Credit Guarantees under Part A of the Project	4,500,000	100%
(3) Consultants' services and training		95% for foreign consultants and 85% for local consultants
(a) Fund Management Services	890,000	
(b) Others	440,000	
(4) Incremental Operating Costs	170,000	85% of expenditures incurred prior to December 31, 2005; 80% of expenditures incurred prior to December 31, 2006; 75% of expenditures incurred prior to December 31, 2007; 50% of expenditures incurred prior to December 31, 2008; and 25% of expenditures prior to December 31, 2009
<b>TOTAL</b>	<u>10,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “Fund Management Services” means the fees to be paid to the Fund Manager pursuant to the contract to be entered into between BEEF and the Fund Manager for the implementation of the Project; and

(b) the term “Incremental Operating Costs” means the incremental costs of BEEF incurred on account of Project implementation, including its Management Board’s costs, communication, translation, travel, rent, utilities, printing, publication, office supplies, minor equipment, maintenance and such other expenditures as may be agreed upon by the Bank.

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; and (b) payments under Categories (1) and (2) of the table in paragraph 1 of this Schedule until the Bank has been furnished with evidence satisfactory to the Bank that: (i) BEEF has in place financial management arrangements satisfactory to the Bank; and (ii) the Operations Manual acceptable to the Bank has been adopted by BEEF.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) Sub-loans; (b) Incremental Operating Costs; and (c) services for consulting firms under contracts costing less than \$100,000 equivalent, and services for individual consultants under contracts costing less than \$50,000 equivalent, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient, through MEER, shall refund, and/or cause BEEF to refund, when applicable, to the Bank, the GEF Trust Fund Grant proceeds disbursed by the Bank, and the investment income generated by the respective Guarantee Agreement from funds disbursed under Part A of the Project, in whole or in part, at the Bank’s option, if:

(a) the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account (or from the investment income generated therefrom) was used for any expenditure not consistent with the provisions of this Agreement;

(b) the Bank shall have determined, at any time, that the Recipient or BEEF shall have failed to perform any of their respective obligations under Subsidiary Grant Agreement;

(c) expenditures from the GEF Trust Fund Grant Account (or from the investment income generated therefrom) were made: (i) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (ii) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or

(d) expenditures from the GEF Trust Fund Grant Account (or from the investment income generated therefrom) were made under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or BEEF during the procurement or execution of such contract, without the Recipient or BEEF having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

6. Refunds to the Bank of GEF Trust Fund Grant proceeds made pursuant to paragraph 5 of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement. Except for such portions thereof for which a refund to the Bank is required pursuant to the terms of this Agreement, the Recipient may, after the Closing Date of this Project, keep in perpetuity Grant proceeds disbursed to it but only for the purposes of: (i) continuing the Partial Credit Guarantee program as set forth in this Agreement, if the Project objectives under Part A of the Project have been achieved; or (ii) continuing BEEF's activities as set forth in Part B of Schedule 2 to this Agreement, if the Project objectives under Part B have been achieved; or (iii) if the Project objectives under Parts A and B have not been achieved, using such funds in accordance with a plan acceptable to the Bank and consistent with the objectives of reducing greenhouse gas emission on the territory of the Recipient.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to increase the demand for and supply of energy efficiency projects and services in the Republic of Bulgaria.

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: Partial Credit Guarantee

Establishment and operation of a Partial Credit Guarantee program, including issuing partial credit guarantees to financial institutions in support of energy efficiency Sub-projects and to improve loan terms for Sub-project sponsors.

#### Part B: Investment-Financing

Provision of Sub-loans on a commercial basis to creditworthy Beneficiaries for the implementation of Sub-projects.

#### Part C: Technical Assistance

Provision of technical assistance:

1. in support of the initial operation of BEEF; and
2. in support of the continuous operation of BEEF and capacity building activities for initial Sub-projects development, and marketing and dissemination of information, including training, workshops and seminars.

\* \* \*

The Project is expected to be completed by September 30, 2009.



### **SCHEDULE 3**

#### **Special Accounts**

A. Special Account MEER

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (3) (a) and (b) 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, works 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 \$100,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 shall be made as follows:

For withdrawals of the Authorized Allocation, the Recipient shall cause MEER to 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.

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. (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, through MEER, 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, through MEER, 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 5 (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.

B. Special Account BEEF

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (3) (a) and (b), 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, works 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 \$2,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 cause BEEF to 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 cause BEEF to 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 cause BEEF to 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 BEEF out of the Special Account, the Recipient shall cause BEEF, to furnish, at such time as the Bank shall reasonably request, 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, through MEER, 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, through MEER, 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.