

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 023844 MOZ

Global Environment Facility
Trust Fund Grant Agreement

(Coastal and Marine Biodiversity Management Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL BANK FOR RECONSTRUCTION

Acting as Implementing Agency of the
Global Environment Facility (GEF)

Dated August 1, 2000

GEF TRUST FUND GRANT NUMBER TF 023844 MOZ

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated August 1, 2000, between REPUBLIC OF MOZAMBIQUE (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the

provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project, and by an agreement (the Development Credit Agreement) of even date herewith between the Recipient and the Association, the Association has agreed to provide such assistance in an aggregate amount equivalent to four million two hundred thousand Special Drawing Rights (SDR 4,200,000);

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans of the Bank, dated January 1, 1985, (as amended through December 2, 1997) 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 (2), (3), (6), (8), (9), (10), (15), (16), (17), (19) 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), (e), (f), (i), (l), (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), 12.03 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 Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

(viii) a new subparagraph is added after subparagraph (o) 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.;" and

(ix) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of the said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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) "CPI" means the Borrower's Investment Promotion Center;

(b) "DNFFB" means the Borrower's National Directorate of Forestry and Wildlife;

(c) "DINATUR" means the Borrower's National Directorate of Tourism;

(d) "Implementing Agencies" mean the Borrower's agencies with technical responsibility for implementing the Project, namely DINATUR, DNFFB, CPI, MADER and INIA;

(e) "MADER" means the Borrower's Ministry of Agriculture and Rural Development;

(f) "INIA" means the Borrower's Institute of Agricultural Research;

(g) "Initial Planning Framework Guidelines" means the guidelines referred to in paragraph 5 of Schedule 4 to this Agreement;

(h) "Micro-Project" means a micro-project designed, prepared and carried out under Part B.3 (a) of the Project;

(i) "Micro-Projects Operational Manual" means the manual referred to in

paragraph 2 of Schedule 4 to this Agreement as amended from time to time, in consultation with the Bank, and such term includes any schedules to the Micro-Projects Operational Manual;

(j) "Matching Grant" means the matching grant to be provided for Micro-Projects under Part B.(3) (a) of the Project;

(k) "Matching Grant Agreement" means the matching grant agreement referred to in paragraph 3 of Schedule 4 to this Agreement;

(l) "MICOA" means the Borrower's Ministry for Coordination of Environmental Affairs;

(m) "Midterm Review" means the midterm review referred to in paragraph 4 of Schedule 4 to this Agreement;

(n) "Performance Indicators" means the indicators referred to in Schedule 6 to this Agreement;

(o) "Project Implementation Plan" means the plan referred to in paragraph 1 (a) (ii) of Schedule 4 to this Agreement containing, inter alia, work plans, training plans, and procedures to be used for the purposes of the implementation of the Project, as it may be amended from time to time, in consultation with the Bank, and such term includes any schedules to the Project Implementation Plan;

(p) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

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

(r) "Project Areas" means the following areas in northern Mozambique, namely: (i) an area of about 9,500 sq. km. in Mocimboa da Praia and Palma in the province of Cabo Delgado; and (ii) an area of about 4,700 sq. km. in the contiguous districts of Nacala-Porto and Mossuril in the province of Nampula;

(s) "Project Year" means the 12 month period beginning from the Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(t) "Beneficiary" means a community or group which meets the criteria specified in the Micro-Projects Operational Manual to which or for whose benefit a Matching Grant is made or proposed to be made for a Micro-Project;

(u) "NGOs" means non-governmental organizations; and

(v) "Memorandum of Understanding" means a memorandum of understanding referred to in paragraph 1 (a) (i) of Schedule 4 to 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 three million one hundred thousand Special Drawing Rights (SDR 3,100,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the GEF Trust Fund Grant, and (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made to meet the reasonable cost

of goods, works and services required for any Micro-Project in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

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

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) 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 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 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Recipient, not later than 18 months after the Effective Date, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the GEF Trust Fund Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the GEF Trust Fund Grant, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Recipient has: (i) appointed and assigned to MICOA a full-time financial and procurement staff with qualifications and experience satisfactory to the Bank; and (ii) appointed an adequate number of technical and administrative personnel, with qualifications and experience satisfactory to the Bank, to assist in the carrying out of Project activities in the Project Areas;

(b) the Recipient has established a financial management and accounting system acceptable to the Bank;

(c) the Recipient has appointed auditors in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) the Recipient has adopted and furnished to the Bank the Initial Planning Framework Guidelines, in form and substance satisfactory to the Bank;

(e) the Recipient has furnished to the Bank each Memorandum of Understanding in form and substance satisfactory to the Bank;

(f) the Recipient has furnished to the Bank a procurement plan satisfactory to the Bank for the procurement of goods, works and services required for the first Project Year; and

(g) all conditions precedent to the effectiveness of the Development Credit, other than those related to the effectiveness of this Agreement, have been fulfilled.

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

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

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Governor of the Bank of Mozambique is designated as representative of the Borrower 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:

Banco de Moçambique
Avenida 25 de Setembro
P.O. Box 423
Maputo, Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

For the Bank:

International Bank for
Reconstruction and Development,
acting as an Implementing Agency of

the Global Environment Facility
1818 H Street, NW
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
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 MOZAMBIQUE

By /s/ Marcus Namashulua

Authorized Representative

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

By /s/ Praful Patel

Acting 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) Works	75,000	100% of foreign expenditures and 85% of local expenditures
(2) Goods, equipment and vehicles	375,000	100% of foreign foreign expenditures and 85% of local expenditures
(3) Micro-Projects	850,000	100%
(4) Consultants' services including audit services	1,500,000	100%

(5)	Operating Costs	300,000	85% of local expenditures
	Total	3,100,000	

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 arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel and accommodation, and Project staff salaries but excluding salaries of the Recipient's civil servants.

3. 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; and

(b) in respect of expenditures under Category (3) for a Micro-Project unless the Micro-Project has been approved by the Bank in accordance with, and subject to, the provisions of the Micro-Projects Operational Manual and the Matching Grants Agreement, including the eligibility criteria and terms and conditions set forth in the said Manual and the Matching Grants 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: (a) goods and works under contracts costing less than \$100,000 equivalent each; (b) for consultants' services under contracts not exceeding: (i) \$100,000 each for consulting firms, and (ii) \$50,000 each for individual consultants; and (c) Operating Costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to carry out, on a pilot basis, an integrated approach to sustainable development in the Project Areas, including: (i) strategic integration of conservation measures with regional economic development; (ii) establishment and protection of conservation areas; (iii) initiation of conservation-oriented community activities; (iv) building of the capacity of stakeholders responsible in the Project Areas for biodiversity protection; (v) raising public awareness of the importance of biodiversity conservation issues and measures; and (vi) establishing best practice for environmentally and biodiversity-friendly development.

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: Strategic Development Plans

The acquisition for the provincial and district governments of the Project Areas of strategic planning tools for utilization in the conservation and sustainable development of coastal and marine resources in the Project Areas, including the development of two strategic spatial development plans to: (i) cover the Project Areas; and (ii) provide the strategic framework for (A)

district development particularly in designated conservation areas, and (B) private sector development and community-based natural resource management or co-management with government agencies.

Part B: Biodiversity Conservation and Sustainable Community Development

1. Management of conservation activities and biological monitoring in the Project Areas, including:

(a) biodiversity conservation and management in the key conservation areas identified in the strategic development planning process;

(b) the establishment and gazetting of the conservation areas, boundary rationalization and zoning for environmentally sustainable uses;

(c) (i) the provision of technical advisory services for the preparation and carrying out of detailed management plans for the marine conservation areas and their buffer zones,

(ii) community land demarcation,

(iii) provision of equipment and construction of infrastructure including guard posts and boundary markers, and

(iv) capacity building for park staff and local communities responsible for the co-management of natural resources and development of revenue generating mechanisms; and

(d) (i) development of best practice guidelines for protected area co-management;

(ii) development of regulations for: (A) the co-management of natural resources by park staff and local communities, and (B) the terms and conditions to be provided for in conservation concessions and co-management agreements with private sector entities,

(iii) analysis of legal, regulatory and institutional issues, and

(iv) ecological and social assessments and community consultations to develop appropriate management options for other areas of biological interest in the Recipient's territory.

2. (a) The provision of technical advisory services for the carrying out of ecological surveys and monitoring of turtles, dugongs and other indicator species in marine conservation areas and adjacent coastal and marine habitats.

(b) The provision of training to local communities to build local capacity for data collection relevant to the establishment of management guidelines for sustainable harvesting of marine resources.

(c) The establishment in the Project Areas of two field stations to assist in the carrying out of the Recipient's coastal zone management decentralization strategy and the Recipient's environmental and biodiversity monitoring and evaluation system.

3. (a) The provision of Matching Grants to assist Beneficiaries in the carrying out of community-based micro-projects (through local governments and with the assistance of NGOs and community facilitators) that promote biodiversity conservation, including community-run eco-tourism activities and/or micro-enterprises that reduce pressure on biological resources.

(b) Training of community facilitators; capacity building for micro-enterprise development; and facilitating negotiations between the private

sector participants and local communities in the Project Areas.

Part C: Private Sector Development

1. (a) Identification in one of the Project Areas of a suitable site for substantial private sector investment in biodiversity conservation.

(b) (i) Provision of technical advisory services to advise on the best means of translating biodiversity management and social expectations of local communities in the Project Areas into environmentally sustainable and profitable alternative forms of livelihood.

(ii) Provision of technical advisory services for the preparation of concession agreements between the Recipient and concessionaires for developments in the Project Areas which conform with criteria and guidelines established during the strategic development planning process, including (A) provision of specialized procurement training, (B) preparation of bid documents, (C) promotion of proposed tenders, and (D) the establishment of appropriate tender procedures and effective monitoring of the administration of said procedures to safeguard globally important biodiversity values in the Project Areas.

Part D: Training and Public Awareness

1. The provision of training to build capacity for decentralized coastal zone planning and management in the Project Areas, including:

(i) training of (A) the technical staff of the Implementing Agencies, (B) communities and local resource users, and (C) traditional leaders, religious leaders, local NGOs and local government staff and other local administrators; and

(ii) provision of about 10 scholarships for higher level or university degrees at both regional and international institutions in biodiversity and coastal zone management studies.

2. The carrying out of a public awareness campaign targeting decision makers and local resource users to increase knowledge of issues related to marine and coastal biodiversity conservation and to reinforce sustainable use of natural resources in the Project Areas, including: (i) information workshops, (ii) the publication of a coastal zone newsletter by MICOA, (iii) site visits; (iv) the utilization of local language radio broadcasts to educate the public on biodiversity and environmental issues.

Part E: Project Management and Monitoring and Evaluation

1. Coordination and management of the Project at the central and local levels, including (i) the holding of regular Project coordinating meetings, and (ii) provision of technical advisory services, equipment and logistical assistance in the carrying out of the Project.

2. Establishment and implementation of a monitoring and evaluation system for the Project, including:

(i) the establishment of an effective system for data collection and processing on environmental and biodiversity matters; and

(ii) the establishment of an independent monitoring and evaluation team to (A) assess the overall effectiveness of the Project, (B) evaluate the effectiveness of Project activities in achieving Project specific outputs and objectives, (C) establish and expand ecological indicators for the Project Areas, (D) monitor the status of the social conditions of

the Project Areas, and (E) advise on the most effective institutional structure for the future collection and evaluation of monitoring data concerning the state of the coastal zone in the Project Areas.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Part A: General

Section I. Procurement of Goods and Works

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995, and revised in January and August 1996, and in September 1997 and January 1999, (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

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

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

(a) Pre-qualification

Bidders for contracts for works estimated to cost \$1,000,000 equivalent or more shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) 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.

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 \$1,000,000 equivalent, and works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National and International Shopping

(a) Goods estimated to cost less than \$50,000 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, on the basis of at least 3 quotations from reputable suppliers in two different countries.

(b) Goods estimated to cost less than \$20,000 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, on the basis of at least 3 quotations from local suppliers.

3. Procurement from IAPSO

As an alternative to the methods specified in paragraph 2 above, goods may be procured from the Inter Agency Procurement Services Office of the United Nations Development Program in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Community Participation

Goods and works required for Part B.3 of the Project shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, and the first three contracts for goods, regardless of size, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured under shopping procedures specified in this Part C, the following procedures shall apply:

(i) prior to the selection of any supplier or execution of any contract, under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-Based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

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

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

1. Selection Planning

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

2. Prior Review

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

(b) The procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply with respect to:

(i) each contract for the employment of (A) consulting firms estimated to cost the equivalent of \$100,000 or more, and (B) individual consultants estimated to cost the equivalent of \$50,000 or more;

(ii) the terms of reference of all contracts for consulting services; and

(iii) the first three contracts for consulting services.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been

given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Project Implementation Plan

(a) (i) MICOA shall conclude a memorandum of understanding with each of the Implementing Agencies and each district or provincial government participating in the Project, all in form and substance satisfactory to the Bank.

(ii) The Recipient shall prepare and furnish to the Bank a Project Implementation Plan in a form and substance satisfactory to the Bank.

(b) The Recipient shall carry out the Project in accordance with: (i) procedures set out in the Project Implementation Plan; and (ii) each Memorandum of Understanding.

(c) Except as the Bank shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Plan or a Memorandum of Understanding, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of the Project.

2. Micro-Projects Operational Manual

(a) The Recipient shall carry out Part B.3 of the Project in accordance with procedures set out in a Micro-Projects Operational Manual in form and substance satisfactory to the Bank and, except as the Bank shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of Part B.3 of the Project.

(b) The Micro-Projects Operational Manual shall, inter alia: (i) set out eligibility criteria and terms and conditions, satisfactory to the Bank, for the provision to Beneficiaries of Matching Grants; and (ii) procedures and guidelines, satisfactory to the Bank, applicable to the carrying out of Part B.3 of the Project.

3. Terms and conditions of Matching Grant Agreements

The Recipient shall enter into a matching grant agreement satisfactory to the Bank with each Beneficiary. The terms and conditions of a Matching Grant Agreement shall inter alia provide that:

(a) the Beneficiary (i) carries out the Micro-Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Micro-Project;

(b) the goods, works and services to be financed from the proceeds of the Matching Grant shall (i) be procured in accordance with procedures ensuring efficiency and economy; and (ii) be used exclusively in the carrying out of the Micro-Project; and

(c) the Recipient shall have the right to:

(i) inspect by itself, or jointly with the Bank, if the Bank

shall so request, the goods, works, sites, plants and construction included in the Micro-Project, the operations thereof and any relevant records and documents;

(ii) obtain such information as the Recipient or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and

(iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant upon the failure by the Beneficiary to perform any of its obligations under the Matching Grant.

4. Midterm Review

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators specified in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Bank, not later than November 30, 2002, a Midterm Review, of the Project, which shall cover, inter alia, (i) progress made in meeting the Project's objectives; (ii) overall Project performance as measured against the said Performance Indicators, and (iii) the quality of the advisory services provided for the Project;

(c) at least three (3) weeks prior to the Midterm Review, furnish to the Bank a report describing the status of the items listed in paragraph (a) above and of Project implementation generally; and

(d) not later than four (4) weeks after the Midterm Review, prepare an action program, acceptable to the Bank, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

5. Initial Planning Framework Guidelines

The Recipient shall prepare guidelines, in form and substance satisfactory to the Bank, to be used for ensuring that investments in the Project Areas are compatible with the overall objectives of the Project, including the objectives of the spatial development plans under Part A of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$300,000 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 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; and

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after, and to the extent that the Bank shall have been satisfied that, all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for

eligible expenditures.

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

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

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

(d) Refunds to the Bank made pursuant to paragraph 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.

SCHEDULE 6

Performance Indicators

The performance indicators for the Project shall include the following:

1. Strategic Development Plans endorsed and under implementation in at least two districts in the Project Areas by the fourth Project Year.
2. All new concessions issued in at least two districts of the Project Areas are in compliance with strategic development plans by the fourth Project Year.
3. Management plans for at least two identified conservation areas are endorsed by the Recipient and under implementation by the end of the third Project Year.
4. Biological Monitoring Plan prepared by Midterm Review and fully operational by the end of the third Project Year.
5. At least five community development projects identified by the end of the third Project Year.
6. Bid documents prepared and the training under Part D of the Project completed by the end of the third Project Year and concessionary process underway with at least 2 potential investors by the end of the third Project Year.
7. Training program for Part D of the Project developed and under implementation by the end of the end of the third Project Year.
8. Increased involvement of NGOs in monitoring and implementation of the Project by the third Project Year.
9. Improved coordination achieved by the third Project Year among stakeholders evidenced by the number of recorded agreements from regular management meetings of the Borrower's National Steering Committee.

