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GEF TRUST FUND GRANT NUMBER TF054926

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

(Natural Resources Development Project)

between

ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated June 29, 2005

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Public Disclosure Authorized

## **GEF TRUST FUND GRANT NUMBER TF054926**

### **GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated June 29, 2005, between ALBANIA (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 94-2);

(C) 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;

(D) the Recipient has also requested the International Development Association (the Association) to provide additional financing for the Project and by an agreement of even date herewith between the Recipient and the Association (the Development Credit Agreement), the Association has agreed to provide such assistance in an aggregate principal amount equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000) (the Credit);

(E) the Recipient intends to contract from the Government of Sweden a grant (the Sida Grant) in an aggregate principal amount of forty million Swedish Kronor (SEK 40,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and the Government of Sweden (the Sida Grant 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;

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 May 1, 2004), 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), (4), (5), (6), (7), (8), (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), (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) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) 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 (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
- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

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) “Development Credit Agreement” means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Development Credit Agreement;

(b) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(c) “Eligible Expenditures” means the expenditures for goods, works, consultants’ services and training referred to in Section 2.02 of this Agreement;

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

(e) “GEF Special Account” means the account referred to in Part B of Schedule 1 of this Agreement; and

(f) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 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 equal to five million Dollars (\$5,000,000).

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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works, consultants’ services and training required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be November 1, 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 carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, forestry and agricultural 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. (a) Except as the Bank shall otherwise agree, procurement of the goods, works (including technical services) 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, as said provisions may be further elaborated in the Procurement Plan and in the Project Implementation Manual.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 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 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 a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, 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;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 3 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a GEF Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) 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 GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first GEF FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter 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 quarter; thereafter, each GEF FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **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) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Credit made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Development Credit Agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(b) The Recipient shall have failed to perform any of its obligations under the Development Credit Agreement.

## **ARTICLE VI**

### **Effectiveness, Termination**

Section 6.01. The following event is specified as an additional condition to the effectiveness of the this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Development Credit Agreement has been duly executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of this GEF Trust Fund Grant Agreement, have been fulfilled.

Section 6.02. 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.

Section 6.03. 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.



**ARTICLE VII**

**Representative of the Recipient; Addresses**

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

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

For the Recipient:

Ministry of Finance  
Bulevardi "Deshmoret e Kombit"  
Tirana  
Albania

Facsimile:

355 42 28494

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)  
64145 (MCI)

(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 Tirana, Albania, as of the day and year first above written.

ALBANIA

By /s/ Arben Malaj

Authorized Representative

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

By /s/ Nadir Mohammed

Authorized Representative

**SCHEDULE 1****Withdrawal of the Proceeds of the GEF Trust Fund Grant**A. General

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 these Categories and the percentage of expenditures for items so to be financed in these Categories:

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Expressed in Dollars</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	615,000	89%
(2) Works	3,740,000	89%
(3) Consultants' Services	120,000	89%
(4) Management Planning	345,000	89%
(5) Training	40,000	89%
(6) Incremental Operating Costs	<u>140,000</u>	89%
TOTAL	<u>5,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "Training" means expenses incurred by the Borrower in connection with carrying out training activities, study tours and workshops under the Project, including travel costs and per diem for local trainees, trainers and workshop attendees, rental of facilities and equipment and training materials and related supplies;

(b) the term "Incremental Operating Costs" means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, which would not have been incurred in the absence of the Project and include, inter alia, costs with respect to: (i) maintenance and operation of office equipment and vehicles procured or used for the management of the Project; (ii) salaries paid to staff, other than civil servants' salaries, hired for purposes of the Project;

(iii) travel costs and per diems paid to staff hired for purposes of the Project; and (iv) office supplies and utilities; and

(c) the term “Management Planning” means expenditures for costs of preparation and updating of communal forest and pasture management plans and preparation of MC resource management plans, including per diem and travel expenditures for DFS staff and RWST staff, directly associated with implementation of Project activities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding fifty thousand Dollars (\$50,000) may be made in respect of the Eligible Categories on account of payments made for expenditures before that date but after March 1, 2005.

4. The Bank may require withdrawals from the GEF Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) works costing less than \$100,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) all goods, works and consultants’ services under contracts between communes and FPUAs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. Upon receipt by the Recipient of a written notice from the Bank, the Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the GEF FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

**B. GEF Special Account**

1. The Recipient may open and maintain in Dollars a special deposit account in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the GEF Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the GEF Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provision of Annex B to this Schedule 1.

3. Payments out of the GEF Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the GEF 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.

4. Notwithstanding the provisions of paragraph 2 of Part B of this Schedule, the Bank shall not be required to make further deposits into the GEF Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in paragraph 5 of Part A of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) 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: (A) the records and accounts for the GEF Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the GEF Special Account in accordance with the provisions of paragraph 2 of Part B of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the GEF Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the GEF Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or

deposit into the GEF Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the GEF 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 determines at any time that any amount outstanding in the GEF Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 GEF Special Account.

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of GEF Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the GEF Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the GEF 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 GEF Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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 GEF Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the GEF Special Account, the Recipient shall furnish to the Bank requests for deposit into the GEF Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 GEF 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 GEF Special Account for Eligible Expenditures. Each such deposit into the GEF Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the GEF Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions 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 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 GEF Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of GEF Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the GEF Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the GEF Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the GEF Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.



## SCHEDULE 2

### Description of the Project

The objective of the Project is to establish and maintain sustainable, community-based management of natural resources in about 218 communes in upland and mountainous erosion-prone lands.

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 objective:

#### Part A: Management and Governance of Forests and Pastures

1. Strengthening of participatory forest and pasture management in communes that were supported under the AFP, through:
  - (a) updating existing communal forest and pasture management plans established under the AFP in about 115 communes;
  - (b) implementation of updated communal forest and pasture management plans in these communal forests and pastures through provision of small-scale investments; and
  - (c) support of assisted natural forest regeneration to sequester carbon for the purpose of capturing carbon finance resources through financing of small-scale investments in about 30 communes.
2. Introduction of participatory forest and pasture management in about 73 additional communes, through:
  - (a) preparation of communal forest and pasture management plans; and
  - (b) implementation of communal forest and pasture management plans.
3. Strengthening of governance for forest and pasture management, through:
  - (a) building of capacity of new and existing Forest and Pasture User Associations by assessing capacity and training needs for the FPUAs and implementing a nationwide program to strengthen governance and management competences of the FPUAs;
  - (b) training of key DGFP staff at national level and in Regional Directorates of DGFP, and of key DFS staff, to become forest and pasture extension advisers; and

(c) implementation of priority actions foreseen by the National Strategy for the Development of Forests and Pastures, including (i) support of institutional reform and development within the DGFP and DFS; (ii) building awareness of the National Strategy for the Development of Forests and Pastures within the DGFP and DFS; (iii) strengthening and improving the legal and regulatory framework for forest and pasture management; (iv) developing the Forest and Pasture Registers; (v) developing and implementing an action plan to address illegal logging in Project areas; and (vi) improving forest fire management at commune levels.

Part B: Management and Governance of Watersheds

1. Introduction of integrated resource management in about 30 micro-catchments encompassing approximately 190,000 ha, through:

(a) preparation of about 30 communal forest and pasture management plans and MC resource management plans; and

(b) implementation of these communal forest and pasture management plans and MC resource management plans through financing of small-scale investments and providing technical support for, inter alia, communal forest and pasture management, rehabilitation of State forests, and agricultural and livestock developments.

2. Strengthening of governance for watershed management, through: (a) training of regional agricultural directorates, drainage boards, DFS and commune staff at commune, regional and national level in the provision of extension advice for MC management; (b) strengthening the Land Administration and Protection Offices; and (c) providing legal advice and public consultation workshops on the laws governing land tenure and user rights.

Part C: Project Management and Monitoring

1. Building of awareness among beneficiaries and other stakeholders at national, regional and commune level of the needs of, and opportunities provided by community-based resource management and related issues such as fire management and control of illegal logging.

2. Management, monitoring and evaluation of the Project.

3. Implementation of the Environmental Management Framework.

4. Verification and monitoring of carbon sequestration, as required by the Kyoto Protocol.

\* \* \*

The Project is expected to be completed by May 1, 2010

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods and Works

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

##### B. Other Procurement Procedures

1. Shopping. Goods and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

2. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

##### Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

5. Community Participation. Services required for Part A. 2 (a) and B. 1 (a) of the Project estimated to cost less than \$10,000 per contract may be procured on the basis of community participation in accordance with the procedures spelled out in the Procurement Plan and in the Project Implementation Manual.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods and works estimated to cost the equivalent of \$100,000 or more procured on the basis of International Competitive Bidding; (b) each contract for consultants' services estimated to cost the equivalent of \$100,000 or more; (c) all contracts for consultants' services procured on the basis of Single Source Selection; and (d) all contracts for goods and works procured on the basis of Direct Contracting, except contracts between the communes and the FPUAs. All other contracts shall be subject to Post Review by the Bank.

## **SCHEDULE 4**

### **Implementation Program**

1. The Recipient shall carry out the Project in accordance with the following coordination mechanisms:

- (a) At the national level:
  - (i) The MAF, through the DGFP, shall be responsible for the overall implementation of the Project. The PTC, located within the MAF, shall provide oversight and technical advice on project implementation. The PTC shall be chaired by the Director of the Agriculture Program Office within the MAF and shall include the participation of the General Director of DGFP and of several sections of MAF: the Agriculture Program Office, the Rural Development Directorate, the Land Administration and Management Directorate and the Legal and Finance Departments. It shall also comprise representatives of the national Federation of FPUAs, the National Secretariat for Watershed Management of the Ministry of Territorial Adjustment and Tourism, and Non-Governmental Organizations.
  - (ii) The PMT shall be responsible for overall management of the Project, including preparation and implementation of work plans, procurement, financial management, reporting and monitoring and evaluation. The PMT shall include staff assigned from within the DGFP and a contracted Project Manager. The Director of the Directorate of Communal Forest, Pastures and Extension Services shall be assigned as Project Coordinator. The PMT shall be supported by five contractual staff and shall include assigned staff charged with monitoring and evaluation of the Project, as set forth in detail in the PIM.
  - (iii) The PIOC shall provide inter-ministerial coordination and oversight of the Project.
- (b) At the regional level:
  - (i) For general oversight and implementation of the Project, Regional Managers shall be appointed in DFS in each of the Recipient's twelve administrative regions.

- (ii) For regional oversight and implementation of Part B of the Project, Regional Coordinators shall be hired for the DFS offices of Dibra, Korce, Kukes and Lezha and at the Regional Forest Directorate at Elbasan to assist the Regional Managers. RWSTs shall be established and maintained at Dibra, Kukes, Lezha, Elbasan and Korce to facilitate and coordinate the micro-catchment planning and implementation. The RWSTs shall include the Regional Managers, the Regional Coordinators, staff assigned from the Regional Agricultural Directorates, and other staff of DFS as appropriate.

(c) At the communal level, commune councils and the FPUAs are responsible for implementation of the Project.

2. The Recipient shall ensure that, during the entire life of the Project, the PIOC, the PTC, the PMT and the RWSTs are operational, adequately staffed, and maintained, under terms of reference acceptable to the Bank.

3. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about May 1, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by July 30, 2008, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

4. The Recipient shall prepare and furnish to the Bank, not later than September 30 of each year, for review and comment, the budget for the DGFP of the MAF for each calendar year.

5. The Recipient shall take, or cause to be taken, all measures necessary to ensure that the Project is implemented in full compliance with the provisions of the

Environmental Management Framework and the Project Implementation Manual in a  
timely manner.