

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF023381  
RELATED TO LOAN NUMBER 4520-0 POL  
4520-1 POL

Global Environment Facility Trust Fund Grant Agreement

(Rural Environmental Protection Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

and

NATIONAL FUND FOR ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT

Dated January 20, 2000

GEF TRUST FUND GRANT NUMBER TF023381  
RELATED TO LOAN NUMBER 4520-0 POL  
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GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated January 20, 2000, between 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 and NATIONAL FUND FOR ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT (the Recipient).

WHEREAS (A) the Bank, pursuant to Resolution No. 915 of March 14, 1991, of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 942 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) by an agreement of even date herewith (the Loan Agreement), the Bank, acting in its own capacity, has agreed to make a loan (the Loan) to the Recipient in an amount equal to one million two hundred fifty thousand Dollars (\$1,250,000) and an amount equal to one million one hundred thousand Euro (EUR 1,100,000) to assist in financing the Project on the terms and conditions set forth or referred to in the Loan Agreement;

(E) the Recipient intends to contract from The Nordic Environment Finance Corporation (NEFCO) a grant (the NEFCO Grant) in an amount equivalent to \$1,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the NEFCO Grant Agreement) to be entered into between the Recipient and NEFCO; 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 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, (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18), (19) and (20), and Sections 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 (a), (c), (d), (e), (f), (i), (k), (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 10.4;
- (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, an account opened by the Bank on its books in the name of the Recipient to which the amount of the GEF Trust Fund Grant is credited;

(vii) a new paragraph (q) is added to 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

(viii) 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 Recipient and the Bank, the Recipient 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 cost and the benefits derived and to be derived from it, the performance by the Recipient and the Bank of their respective obligations under the GEF Trust Fund Grant Agreement and the accomplishment of the purposes of the GEF Trust Fund Grant."

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

(a) "GEF Eligible Category" means category (1) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) "GEF Eligible Expenditures" means expenditures for works referred to in Section 2.02 of this Agreement;

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

(d) "GEF Special Account" means the account referred to in Part B 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 in various currencies equivalent to two million two hundred thousand Special Drawing Rights (SDR 2,200,000).

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 amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made to meet the reasonable cost of works required under FEIIs under Part A(2) of the Project.

Section 2.03. The Closing Date shall be April 30, 2003, 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 through the PIU with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, engineering and environmental practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for 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 5 to the Loan Agreement.

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

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

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months 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 future operation of the Project; and

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

### ARTICLE IV

#### Financial Conditions

Section 4.01. (a) The Recipient shall establish and 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 its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the GEF Special 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 as soon as available, but in any case not later than six 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 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.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of GEF Project Management Reports or statements of expenditures, the Recipient shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than June 30, 2000, or such later date as the Bank shall agree, to prepare quarterly GEF 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 GEF Project Management Report for such period.

#### 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 Recipient shall have failed to perform any of its obligations under the Loan Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph the right of the Recipient to withdraw the proceeds of the Loan or the NEFCO Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement or the NEFCO Grant Agreement respectively.

(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 such 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.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Recipient; and

(b) the event specified in paragraph (b) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

#### ARTICLE VI

##### Effectiveness; Termination

Section 6.01. 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 (c) of the General Conditions:

(a) the Loan Agreement has been 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; and (b) the NEFCO Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or 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. 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 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

#### ARTICLE VII

##### Representative of the Recipient; Addresses

Section 7.01. The President 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 Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
64145 (MCI)

For the Recipient:

National Fund for Environmental Protection  
and Water Management  
ul. Konstruktorska 3A 02-673  
Warsaw  
Republic of Poland

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 City of Warsaw, Republic of Poland, as of the day and year first above written.

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

By /s/ Basil G. Kavalsky  
Acting Regional Vice President  
Europe and Central Asia

NATIONAL FUND FOR ENVIRONMENTAL PROTECTION  
AND WATER MANAGEMENT

By /s/ Kazimierz Kujda  
/s/ Slawomir Skrzypek  
Authorized Representatives

#### 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 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 under disbursed under Farm Contracts	1,920,000	100% of amounts FEIIs under Part A(2) of the Project
(2) Unallocated	280,000	
TOTAL	2,200,000	

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 Republic of Poland for goods or services supplied from the territory of any country other than that of the Republic of Poland; and

(b) the term "local expenditures" means expenditures in the currency of the Republic of Poland or for goods or services supplied from the territory of the Republic of Poland.

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 the equivalent of SDR 220,000, may be made on amount of payments made for expenditures before that date but after February 1, 1999.

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 contracts for works costing less than \$700,000 equivalent each with the exception of the first contract for works for which withdrawals may be made on the basis of statements of expenditures only after it has been reviewed by the Bank in accordance with the provisions of Part C.2 of Schedule 3 to this Agreement.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

B. GEF Special Account

1. The Borrower shall open and maintain in Dollars a special deposit account, in a commercial 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) until the Bank shall have received (i) the first GEF Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Recipient for withdrawal on the basis of GEF Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a GEF Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Recipient for withdrawal on the basis of GEF Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the GEF Special Account shall be made exclusively for GEF 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 GEF Eligible Expenditures.

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

(a) if the Bank determines at any time that any GEF Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement; (b) if the Bank determines at any time that all further withdrawals 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 made on the basis of GEF Project Management Reports.

5. The Bank shall not be required to make further deposits into the GEF Special Account in accordance with the provisions of Part B.2 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 a GEF 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 GEF 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 sub-paragraph (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 the GEF Trust Fund Grant Agreement.

#### Annex A to SCHEDULE 1

##### Operation of GEF Special Account When Withdrawals Are Not Made On the Basis of GEF Project Management Reports

1. For the purposes of this Annex: The term "GEF Authorized Allocation" means an amount equivalent to \$300,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the GEF Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the GEF Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 430,000.

2. Withdrawals of the GEF Authorized Allocation and subsequent withdrawals to replenish the GEF Special Account shall be made as follows:

(a) For withdrawals of the GEF 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 GEF 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 GEF 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 GEF 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 GEF 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 GEF Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of GEF Special Account When Withdrawals Are Made On the Basis of GEF Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Recipient, all 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 GEF Special Account's GEF Eligible Categories.
2. Each application for withdrawal from the GEF Trust Fund Grant Account for deposit into the GEF Special Account shall be supported by a GEF Project Management Report.
3. 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 GEF Project Management Report accompanying said application, is required to be deposited in order to finance GEF Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said GEF Project Management Report to be remaining in the GEF Special Account, shall not exceed the equivalent of \$800,000.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to test various interventions to improve environmental conditions in agricultural land through use of environmentally sound agricultural practices and ultimately reduce nutrients entering water bodies.

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

##### Part A: Farm Environmental Improvements

- (1) Provision of technical assistance and training to Beneficiaries to help them develop and adopt environmentally sound agricultural practices.
- (2) The financing and carrying out under Farm Contracts of FEIIs meeting the Eligibility Criteria.

##### Part B: Public Awareness and Management

- (1) Design and carrying out of a public awareness program to widen understanding of the importance of environmental issues in agriculture.
- (2) Preparation, based on the carrying out of social, economic and environmental evaluations and evaluation of Project activities, of a national strategy for replicating the Project, with a view to increasing prevalence of environmentally sound practices in agriculture, including development of least-cost approaches to implement said strategy.
- (3) Provision of assistance for the operation of the PIU and financing of incremental operating costs of its LITs.

\* \* \*

The Project is expected to be completed by October 30, 2002.

## SCHEDULE 3

### Procurement

#### Part A: General

Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of Section I of this Schedule.

#### Part B: Procurement Procedures

##### National Competitive Bidding

Works estimated to cost less than \$700,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

#### Part C: Review by the Bank of Procurement Decisions

##### 1. Procurement Planning

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

##### 2. Prior Review

With respect to the first contract to be awarded in accordance with the provisions of Part B of this Schedule the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

##### 3. Post Review

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

