

Public Disclosure Authorized

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF054186

Global Environment Facility Trust Fund Grant Agreement

(Indigenous Integrated Ecosystem Management
Regional Project)

between

*ASOCIACIÓN COORDINADORA INDÍGENA CAMPESINA
DE AGRO FORESTERÍA COMUNITARIA
(ACICAFOC)*

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated January 14, 2005

Public Disclosure Authorized

GEF TRUST FUND GRANT NUMBER TF054186

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated January 14, 2005, between the *ASOCIACIÓN COORDINADORA INDÍGENA CAMPESINA DE AGRO FORESTERÍA COMUNITARIA (ACICAFOC)* (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; and

(D) the *ASOCIACIÓN COORDINADORA INDÍGENA CAMPESINA DE AGRO FORESTERÍA COMUNITARIA (ACICAFOC)* is a civil association with valid legal personality duly registered in the *Registro Público de Asociaciones de Costa Rica* (Costa Rican public registry of civil associations), with a legal personality identification number (ID) three-cero, cero, two-two hundred twenty eight thousand eight hundred sixty four (3-002-228864).

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 (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) Section 10.01 is amended to read as follows:

“Section 10.01. Enforceability

Neither the Bank nor the Borrower nor the Guarantor shall be entitled in any proceeding under this Article to assert any claim that any provision of these General Conditions or of the Loan Agreement or the Guarantee Agreement is invalid or

unenforceable because of any provision of the Articles of Agreement of the Bank.”;

- (ii) Section 10.04 is amended to read as follows:

“Section 10.04. Arbitration

Any dispute arising out of or relating to this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force on the date of this Agreement. The place of arbitration shall be Washington, D.C. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.”;

- (iii) 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;
- (iv) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (v) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (vi) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vii) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (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.”;
- (ix) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”;
- (x) the proviso at the end of Section 4.01 is deleted;

- (xi) the words “member of the Bank which is the Borrower or the Guarantor” in Section 8.01 (b) are replaced by the words “Republic of Costa Rica”; and
- (xii) the words “the member of the Bank which is the Borrower or the Guarantor” in Section 9.01 (c) are replaced by the words “The Recipient”.

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) “Annual Work Program” means any of the annual work programs and budgets referred to in Section 3.08 (a) (i) of this Agreement;

(b) “Beneficiary” means Indigenous Peoples (as hereinafter defined) which meet the criteria set forth in the Operational Manual as beneficiaries of Subprojects (as hereinafter defined) under Part A of the Project;

(c) “CCAD” means *Comisión Centroamericana de Ambiente y Desarrollo*, a Central American commission for environment and development comprised of the ministers of environment of the Participating Countries and established via international treaty on February 14, 1989;

(d) “CICA” means *Consejo Indígena Centroamericano*, a Central American indigenous council comprised of Indigenous Peoples (as hereinafter defined), established through *Acta Constitutiva* (minutes of constitution) in 1993;

(e) “Displaced Persons” means persons who, on account of the execution of a particular Subproject (as hereinafter defined), had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected;

(f) “Environmental Management Plan” means the Recipient’s environmental impact framework for the Project, dated July 6, 2004, that contains specific environmental rules and procedures for the Project, as said plan may be updated from time to time in the Operational Manual (as hereinafter defined);

(g) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(h) “Grant Agreement” means any of the grant agreements to be entered into between the Liaison Organizations (as hereinafter defined) and a Beneficiary, or the Recipient and a Beneficiary (as the case may be), providing for a Subproject Grant; “Grant Agreements” means the plural thereof;

(i) “Implementation Agreement” means any of the agreements referred to in Section 3.04 (a) of this Agreement;

(j) “Indigenous Peoples” means an indigenous peoples community or group, recognized as such pursuant to the respective Participating Country’s (as hereinafter defined) legal framework, which resides in the Project Area (as hereinafter defined);

(k) “Liaison Organization” means an organization established and operating as a civil association (or other applicable entity with legal personality) in the Project Area (as hereinafter defined) pursuant to the legal framework of the respective Participating Country (as hereinafter defined) and which is listed in the Operational Manual (as hereinafter defined) and any other organization that may be added to such list from time to time by agreement between the Bank and the Recipient; “Liaison Organizations” means the plural thereof;

(l) “Model Forms” means the models set forth in the Operational Manual (as hereinafter defined), to be used in preparing Grant Agreements’;

(m) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.03 (b) of this Agreement;

(n) “Participating Country” means any of Belize, the Republic of Costa Rica, the Republic of El Salvador, the Republic of Guatemala, the Republic of Honduras, the Republic of Nicaragua and the Republic of Panama; “Participating Countries” means all of said countries;

(o) “PCU” means the Project coordination unit referred to in Section 3.06 of this Agreement;

(p) “Performance Indicators” means the indicators, set forth in the Operational Manual, for monitoring and evaluating progress towards the attainment of Project objectives;

(q) “Procurement Plan” means the Recipient’s procurement plan, dated June 26, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(r) “Project Area” means the eco-regions of Maya, Humid Atlantic, Dry Pacific, Sumo-Miskita, Talamanca-Bocas, and Darién-Kuna located in the territories of the Participating Countries and selected during the preparation of the Project;

(s) “Project Implementation Plan” means the Recipients’ detailed action plan for the implementation of the Project, dated June 26,2004;

(t) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(u) “Subproject” means a set of activities carried out under Part A of the Project, which set is selected, approved and implemented in accordance with the requirements of the Operational Manual; and

(v) “Subproject Grant” means a grant made or proposed to be made either by the Recipient, or by the Recipient through the Liaison Organizations, out of the proceeds of the GEF Trust Fund Grant to a Beneficiary for the financing of a Subproject pursuant to the terms of the Operational Manual.

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 four million Dollars (\$4,000,000).

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 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 the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(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 4 to this Agreement.

Section 2.03. The Closing Date shall be January 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. The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project:

(a) with the assistance of the Liaison Organizations (pursuant to the Implementation Agreements), as indicated in Section 3.05 (a) to this Agreement; or

(b) on its own behalf, as indicated in Section 3.05 (b) to this Agreement,

all with due diligence and efficiency and in conformity with appropriate managerial, administrative, financial, legal, ecological, environmental, productive, social and conservation 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.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(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. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Bank may otherwise agree, the Recipient shall carry out the Project in accordance with: (i) the Environmental Management Plan; (ii) the Operational Manual; and (iii) the Project Implementation Plan, as applicable, so as to meet the Performance Indicators.

(b) The Recipient shall, without limitation to the other provisions of this Agreement, carry out the Project in accordance with an operational manual, satisfactory to the Bank and to be prepared by the PCU, containing, inter alia: (i) the Procurement Plan; (ii) the Performance Indicators; (iii) the list of Liaison Organizations; (iv) a model Implementation Agreement; (v) the financial management arrangements and procedures for the Project; (vi) scope and content of the mid-term review referred to in Section 3.09 (c) of this Agreement; and (vii) requirements for the selection, approval and implementation of Subprojects, including eligibility criteria, Subproject cycle and the Model Forms.

(c) The Operational Manual may be amended by the Recipient from time to time, in a manner satisfactory to the Bank, to facilitate continued Project implementation. If any provision of the Operational Manual or the Project Implementation Plan is inconsistent with a provision of this Agreement, the provisions of this Agreement shall prevail.

Section 3.04. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient shall enter into separate implementation agreements, one with each of the corresponding Liaison Organizations, on terms and conditions satisfactory to the Bank, said implementation agreements to include, inter alia, the obligation each Liaison Organization to: (i) promote and facilitate the Project in the Project Area; (ii) select and screen Subproject proposals; (iii) submit Subproject proposals to the PCU for their respective approval; (iv) execute its respective Grant Agreements or implement Subprojects (as the case may be); (v) assist the Recipient in the implementation of the corresponding Annual Work Program and in complying with its obligations to the Bank under this Agreement; and (vi) follow the provisions of the Operational Manual.

(b) (i) The Recipient shall exercise its rights and carry out its obligations under each Implementation Agreement in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and (ii) except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce any Implementation Agreement or any provision thereof.

(c) In case of any conflict between the terms of any Implementation Agreement and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. For the purposes of carrying out a Subproject, the Recipient:

- (a) through a Liaison Organization shall, either:
 - (i) (A) enter into a Grant Agreement with a Beneficiary in accordance with the terms and conditions of the Operational Manual and the Model Forms;
 - (B) exercise its rights and comply with its obligations under any Grant Agreement, in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and
 - (C) except as the Bank shall otherwise agree, not assign, amend, abrogate, waive or fail to enforce the Grant Agreements or any provision thereof;
- (ii) implement the Subproject on behalf of a Beneficiary.

- (b) on its own behalf, either:
 - (i) (A) enter into a Grant Agreement with a Beneficiary in accordance with the terms and conditions of the Operational Manual and the Model Forms;
 - (B) exercise its rights and comply with its obligations under any Grant Agreement, in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and
 - (C) except as the Bank shall otherwise agree, not assign, amend, abrogate, waive or fail to enforce the Grant Agreements or any provision thereof ; or
 - (ii) implement the Subproject on behalf of a Beneficiary.

Section 3.06. Throughout the course of Project implementation, the Recipient shall maintain and continue to operate a Project coordination unit as part of the Recipients' organizational structure. The Recipient shall ensure that the PCU is staffed at all times during the implementation of the Project by core professional staff in numbers and with experience and qualifications acceptable to the Bank (including, without limitation, a project coordinator, a procurement officer, an accountant and an administrative assistant), operating under terms of reference satisfactory to the Bank, and selected in accordance with competitive and transparent procedures satisfactory to the Bank, all as prescribed in the Operational Manual.

Section 3.07. The Recipient shall maintain until the completion of the Project a council with responsibilities and functions satisfactory to the Bank including, inter alia, overall Project oversight and coordination and the approval of the Annual Work Programs, such council to be comprised of representatives of ACICAFOC, CCAD and CICA.

Section 3.08. (a) the Recipient shall:

- (i) not later than October 31 of each year, furnish to the Bank, for its review and approval, a proposed annual work program and budget, satisfactory to the Bank, prepared in consultation with the council referred to in Section 3.07 of this Agreement; such program to specify the activities to be financed out of the proceeds of the GEF Trust Fund Grant during the relevant calendar year for the purposes of the implementation of the Project; and

- (ii) upon the Bank's approval, carry out such Annual Work Program, as approved by the Bank.

(b) The Bank may refrain from approving any Annual Work Program if the Bank has determined that the Recipient is not carrying out the Project as provided in this Agreement and no appropriate remedial actions, satisfactory to the Bank, have been taken therefor.

Section 3.09. 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 to ensure continued achievement of the objectives of the Project;

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

(c) carry out an in-depth Project review (the mid-term review), jointly with the Bank, of such scope as set forth in the Operational Manual, on the progress achieved in the implementation of the Project.

Section 3.10. 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, 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, for each year during the implementation of the Project, annual reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the execution of the Project during the period preceding the date of each 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 January 15 of each year during the implementation of the Project or such later date as the Bank shall request, each 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 said report and the Bank's views on the matter.

Section 3.11. (a) Prior to the approval of any Subproject involving civil works to be financed out of the proceeds of the GEF Trust Fund Grant, the Recipient shall apply

the Environmental Management Plan in order to: (i) carry out an environmental screening and assessment of such Subproject, as prescribed in the Operational Manual; and (ii) prepare recommendations for the prevention, mitigation and remediation of any potential environmental damage arising from the implementation of such Subproject.

(b) During the implementation of such Subproject, the Recipient shall have the recommendations of said environmental assessment carried out as prescribed in the Operational Manual.

Section 3.12. In the event that the findings of the environmental assessment to be carried out as part of the identification of each Subproject indicate that resettlement of population is required in the area in which a particular Subproject will be carried out and/or that individuals living in such area will become Displaced Persons as a result of the carrying out of such Subproject, the Recipient shall prior to the carrying out of such Subproject: (i) prepare and furnish to the Bank a resettlement action plan or a natural resources management action plan, as the case may be, for such Displaced Persons, both satisfactory to the Bank; and (ii) promptly thereafter, carry out the corresponding action plans referred to in (i) herein in accordance with their terms.

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 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 financial statements referred to in paragraph (a) above 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 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 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 Section 3.10 (b) of this Agreement, the Recipient shall prepare and furnish to the Bank a 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 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 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

Effectiveness; Termination

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

- (a) that the Operational Manual has been issued and put into effect;
- (b) that the PCU has been properly staffed as set forth in Section 3.06 of this Agreement; and
- (c) that a financial management system, satisfactory to the Bank, shall have been established by the Recipient and become operational.

Section 5.02. The date April 14, 2005 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 their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The President of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

ACICAFOC
Apartado Postal/P.O. Box 2089-1002
San José, Costa Rica

Facsimile:
(506) 241-1996

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)

Facsimile:

(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 the District of Columbia, United States of America, as of the day and year first above written.

ASOCIACIÓN COORDINADORA INDÍGENA CAMPESINA
DE AGRO FORESTERÍA COMUNITARIA (ACICAFOC)

By /s/ Fredy Molina Sanchineli

Authorized Representative

By /s/ Francis Mora Zúñiga

Authorized Representative

By /s/ Alberto Chinchilla Cascante

Authorized Representative

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

By /s/ Ulrich Zachau

Authorized Representative

SCHEDULE 1**Withdrawal of the Proceeds of the GEF Trust Fund Grant**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	80,000	91%
(2) Consultant Services (including audits referred to in Section 4.01(b) of this Agreement)	1,700,000	91%
(3) Training	950,000	91%
(4) Subprojects	590,000	91% of the cost of goods, works and services (including training) included in a Subproject
(5) Operating costs	595,000	91%
(6) Unallocated	85,000	
TOTAL	<u>4,000,000</u>	

2. For the purposes of this Schedule the term “operating costs” means the non-consultant expenditures incurred by the Recipient in connection with the daily operation of the PCU, including salaries of incremental PCU staff, maintenance of equipment and vehicles, rental of office facilities, office utilities, supplies and materials and travel and per diem of PCU staff, which expenditures would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$150,000, may be made on account of payments made for expenditures before that date but after June 26,2004;and (b) any expenditure under Category (4) in the table in paragraph 1 above, unless there is an Implementation Agreement in place, and a Grant Agreement (in case a Beneficiary carries out the Subproject).

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 under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$100,000 equivalent per contract; (c) services of individual consultants costing less than \$25,000 equivalent per contract; (d) services of consulting firms costing less than \$50,000 equivalent per contract; (e) Subprojects (except the first two); and (f) operating costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to achieve a more comprehensive ecosystem management by strengthening the capacity of the Indigenous Peoples to protect and manage their natural and cultural resources.

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: Market Creation

Carrying out of activities in support of the development of Indigenous Peoples' products, markets and services to promote environmental sustainability in the Project Area, including:

1. quantifying and marketing a consolidated supply of traditional products;
2. exploring opportunities to create markets for consolidated environmental services provided by Indigenous Peoples;
3. identifying and marketing consolidated community based eco/ethno tourism routes and projects; and
4. identifying, evaluating and marketing community projects for traditional ecosystem management.

Part B: Participatory Monitoring and Evaluation

Carrying out of activities to monitor and evaluate the Project's progress and impact on conservation and sustainable use of biological diversity; including:

1. capacity building for participatory monitoring and evaluation of the Project's global impacts and benefits (including impacts on human development);
2. Project implementation progress monitoring and evaluation; and
3. evaluating intervention models based on cultural values and traditional management practices developed by Indigenous Peoples over the centuries.

* * *

The Project is expected to be completed by July 1, 2009.

SCHEDULE 3**Procurement**Section I. General

A. All goods, works and services (other than consultants' services) 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, Works and Services (other than Consultants' Services)

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 in accordance with the provisions of Section II of the Procurement Guidelines. 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 respective Beneficiary and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$1,500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of paragraphs 3.1, 3.3 and 3.4 of the Procurement Guidelines.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting referred to in paragraphs 3.6 and 3.7 of the Procurement Guidelines may, with the bank's prior agreement, be procured in accordance with the provisions of said paragraphs.

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 rendered by consulting firms shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection in accordance with the provisions of Section II of the Consultant Guidelines and the following provision: for purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 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 Consultants 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 Consultants 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, with the bank's prior agreement, be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4**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 in respect of the Project;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means the amount of \$250,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Accounts 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 Borrower 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 Borrower, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower 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 Borrower, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Borrower 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 Borrower out of the respective Special Account, the Borrower 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 Borrower 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 Borrower 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 Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower 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, 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 Borrower. 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 Borrower 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 Borrower 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 Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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