

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF051853

Global Environment Facility Trust Fund Grant Agreement

(Caribbean: Mainstreaming Adaptation to Climate Change Project)

between

THE CARIBBEAN COMMUNITY

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated April 29, 2003

GEF TRUST FUND GRANT NUMBER TF051853

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated April 29, 2003, between THE CARIBBEAN COMMUNITY (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

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

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

(D) the Recipient is a duly established international organization and represents that it has the necessary legal capacity and powers to enter into this Agreement and perform its obligations herein set forth;

(E) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(F) the Recipient intends to contract from the National Oceanic and Atmospheric Administration (NOAA) an in-kind grant in an amount of \$800,000 (the NOAA Grant) to assist in financing Parts A.1 (a), A.2 (a) (ii), A.2 (b) (iii), A.3 (a), A.5 (b), A.6 (a) and B.4 of the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and NOAA (the NOAA Grant Agreement);

(G) by a memorandum of understanding dated March 20, 2002 between the Recipient and Global Change Strategies International Inc. and De Romilly and De Romilly Ltd (on behalf of the Canadian International Development Agency – CIDA), as amended on January 29, 2003, CIDA has agreed to make a grant to the Recipient in a principal amount of Cdn\$3,140,450 equivalent (three million one hundred forty thousand four hundred fifty Canadian dollars) (the CIDA Grant) to assist in financing Parts A.1 (c), A.3 (a) and (b), B.2, C.2 (b), D and E of the Project on the terms and conditions set forth in such memorandum of understanding; and

(H) the Participating Countries (as defined below), as ultimate beneficiaries of the Project have agreed to assist the Recipient in the carrying out of the Project, as is expected to be detailed in the corresponding Participation Agreement (as defined below); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the grant set forth in Section 2.01 of this Agreement (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 October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (5), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) the first part of Section 4.01 (until the semicolon); Section 4.06;
- (v) Sections 5.01, 5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.08 and 5.09;

- (vi) Sections 6.01, 6.02 (c), (e), (f), (g), (h), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) the second sentence of Section 10.01, and 10.03;
 - (x) Article XI; and
 - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 5.01 (a) and 6.02 (f) thereof, means the Bank acting as an implementing agency of the GEF;
 - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient, except in Sections 6.02 (f) and 8.01 (b), where the term “Borrower” shall mean a Participating Country;
 - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iv) the term “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, the 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;
 - (vi) the phrase “in the territory of, the Borrower or the Guarantor” shall be replaced by the phrase “in the territory of, a Participating Country” in Section 5.08. For purposes of this subparagraph, the term “Participating Country” shall have the same meaning as in Section 1.02 (h) of this Agreement;

- (vii) the words “and/or the Association, as the case may be,” shall be added after the term “Bank” in Section 6.02 (f) (i); and
- (viii) a new paragraph (q) is added to Section 6.02 of the General Conditions, as follows: “(q) An extraordinary situation shall have arisen in which any further disbursement under the Grant would exceed the resources available for disbursement from the Global Environment Facility.”

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) “CCCCC” means the Caribbean Community Climate Change Center established pursuant to an agreement dated February 4, 2002, provisionally applied by a protocol dated February 5, 2002, upon signature by the representatives of Barbados, Belize, Grenada, Co-operative Republic of Guyana, Jamaica, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago;

(b) “Coordinating Agency” means an entity which may or may not have been vested with legal personality that has been selected by the Recipient to assist it in providing the necessary assistance in the carrying out of the Project;

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

(d) “MOU” means any of the memoranda of understanding referred to in Section 3.06 (a) of this Agreement;

(e) “NICU” means any of the national implementation coordination units referred to in paragraph (c) (i) of Schedule 5 to this Agreement;

(f) “Participating Country” means any of the following countries: (i) Antigua and Barbuda; (ii) Commonwealth of the Bahamas; (iii) Barbados; (iv) Belize; (v) Commonwealth of Dominica; (vi) Grenada; (vii) Co-operative Republic of Guyana; (viii) Jamaica; (ix) St. Kitts and Nevis; (x) Saint Lucia; (xi) St. Vincent and the Grenadines; and (xii) Trinidad and Tobago, and the term “Participating Countries” means collectively all said countries;

(g) "Participation Agreement" means any of the agreements entered into between the Recipient and each of the Participating Countries for purposes of governing the assistance to be provided by said Participating Countries to the Recipient under the Project, on terms and conditions acceptable to the Bank, including, *inter alia*, those set forth in Schedule 5 to this Agreement;

(h) "PIU" means the unit referred to in Section 3.08 (a) of this Agreement;

(i) "Project Operational Manual" means the manual, acceptable to the Bank, dated March 6, 2003 and referred to in Section 3.04 (a) of this Agreement;

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

(k) "Transitional PIU" means the unit referred to in Section 3.07 (a) of this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to five million Dollars (\$5,000,000).

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 and services required for carrying out 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 September 30, 2007 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 objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with the assistance of the Participating Countries (as provided in the corresponding Participation Agreement) and the designated Coordinating Agency (as provided in the corresponding MOU), with due diligence and efficiency and in conformity with appropriate administrative, technical, financial and procurement 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 to the provisions of paragraph (a) above, the Recipient shall cause the Participating Countries to provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project, as stipulated in the corresponding Participation Agreement.

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

Section 3.03. 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 designed to ensure the sustainability of the Project activities; and

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

Section 3.04. (a) Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall carry out the Project in accordance with the Project Operational Manual which includes, *inter alia*: (i) the names of all Coordinating Agencies; (ii) criteria for selecting the Participating Countries under Parts A.6 (a) and B.2 (a) of the Project; (iii) criteria for selecting the fishing community under Part B.2 (c) of the Project; (iv) the Recipient's operating procedures, internal controls and accounting and reporting functions; (v) the actions to be undertaken by the Recipient to improve its procurement and financial management capacity; (vi) the Project financial management,

disbursement and procurement procedures; (vii) the Transitional PIU and the PIU's organizational structure, functions and responsibilities; and (viii) the indicators to be used in the monitoring and evaluation of the Project.

(b) In case of any conflict between the terms of the Project Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. (a) (i) The Recipient shall exercise its rights and carry out its obligations under each Participation Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant; and (ii) except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Participation Agreement or any provision thereof.

(b) The Recipient shall ensure that each Participation Agreement be duly authorized or ratified by, and executed and delivered by, the relevant Participating Country and be legally binding upon such Participating Country in accordance with the relevant Participation Agreement's terms.

(c) The Recipient shall ensure that each of the Participation Agreements is fully consistent with this Agreement. No provision of any of the Participation Agreements shall in any way limit the obligations of the Recipient set forth in this Agreement. In case of discrepancy between the provisions of any Participation Agreement and those of this Agreement, the provisions set forth in this Agreement shall prevail

Section 3.06. (a) For purposes of providing the necessary assistance to the Recipient under the Project, the Recipient shall, prior to carrying out a Project activity to be financed by the GEF Trust Fund Grant for which a Coordinating Agency's assistance is required, enter into a separate memorandum of understanding (the MOU) with the pertinent Coordinating Agency on terms and conditions acceptable to the Bank.

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

Section 3.07. (a) The Recipient shall operate and maintain in Barbados the transitional Project implementation unit (the Transitional PIU) while the PIU has not been established as provided in Section 3.08 (a) of this Agreement, with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the

responsibility of the Transitional PIU to coordinate, administer, supervise and monitor the carrying out of the Project.

(b) The Recipient shall ensure that the Transitional PIU is staffed by adequate professionals and administrative staff, all with qualifications and experience acceptable to the Bank.

Section 3.08. (a) The Recipient shall, not later than June 30, 2003, dissolve the Transitional PIU and establish in Belize and thereafter operate and maintain at all times during Project implementation, a Project implementation unit (the PIU) with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility of the PIU to coordinate, administer, supervise, monitor and evaluate the carrying out of the Project.

(b) The Recipient shall ensure that the PIU is, at all times during Project implementation, headed by a Project manager, and assisted by a technical coordinator and a public education and outreach specialist, and, as required, an economist and other adequate professional and administrative staff, all with qualifications and experience acceptable to the Bank.

Section 3.09. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Recipient shall: (a) not later than November 30 of each year of Project implementation, starting in the year 2003, prepare and furnish to the Bank, an annual work program, acceptable to the Bank, containing the Project activities to be carried out during the calendar year following the date of presentation of said program to the Bank, and a timetable for the completion of said Project activities during the year in question; (b) thereafter carry out or cause to be carried out said program in accordance with its terms, and in a manner acceptable to the Bank, CIDA and NOAA in respect of the respective components of the Project financed by such entities; and (c) carry out or cause to be carried out the annual work program for the year 2003 as approved by the Bank prior to the date of this Agreement.

Section 3.10. The Recipient shall:

(a) maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Operational Manual, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare with the assistance of the PIU and the Participating Countries, under terms of reference satisfactory to the Bank, and furnish to the Bank each March 1 and September 1 during Project implementation, starting with the report due on March 1,

2004, a report integrating the results of the monitoring and evaluation of the Project activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the six-month period preceding the date of presentation of each said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the following six-month period; and

(c) review with the Bank, CIDA, NOAA and the Participating Countries each March 31 during Project implementation, or such later date as the Bank shall request, the pertinent reports referred to in paragraph (b) of this Section, and, thereafter, take, and/or cause to be taken, all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of said reports and the Bank's views on the matter.

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 a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Recipient shall:
- (i) have its records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year audited, in accordance with generally accepted auditing standards and procedures 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 four months after the end of such fiscal 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 financial statements, records and accounts and a report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
 - (iii) furnish to the Bank such other information concerning said records, 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 statements of expenditure, 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 Recipient's progress reporting obligations set out in Article III of this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report (the FMR), in form and substance acceptable 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 planned and actual 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 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

Remedies of the Bank

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

(a) Any Participating Country shall have failed to comply with any of its obligations under the corresponding Participation Agreement.

(b) Any Coordinating Agency shall have failed to comply with any of its obligations under the corresponding MOU.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Participating Country and/or any Coordinating Agency will be able to perform any of their obligations under the corresponding Participation Agreement and/or MOU, respectively.

(d) The NOAA Grant Agreement shall have failed to become effective by June 30, 2003, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that adequate in-kind contribution or funds for Parts A.1 (a), A.2 (a) (ii), A.2 (a) (iii), A.3 (a), A.5 (b), A.6 (a) and B.4 of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the NOAA Grant and/or the CIDA Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the corresponding agreement providing therefor.

- (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 any of such agreements; 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.

ARTICLE VI

Arbitration

Section 6.01. 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 United Nations Commission on International Trade Law (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 such Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.

ARTICLE VII

Effectiveness, Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that each Participating Country has established and staffed its NICU as provided in paragraph (c) of Schedule 5 to this Agreement.

Section 7.02. The date July 28, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VIII

Representative of the Recipient; Addresses

Section 8.01. The Secretary General of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 8.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

The Caribbean Community
Bank of Guyana Building
Georgetown, Guyana

Facsimile: (592) 226-7816

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)

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

THE CARIBBEAN COMMUNITY

By /s/Edwin Carrington

Authorized Representative

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

By /s/Daniel Horatio Wallace

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>	Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods	480,000	100% subject to paragraph 6 below
(2) Consultants' services (including audit services)	2,930,000	100% subject to paragraph 6 below
(3) Training	1,100,000	100% subject to paragraph 6 below
(4) Transitional PIU/PIU 's Operational Costs	230,000	100% subject to paragraph 6 below
(5) Recipient's Operational Costs	180,000	100% subject to paragraph 6 below
(6) Unallocated	<u>80,000</u>	
TOTAL	<u>5,000,000</u> =====	

2. For the purposes of this Schedule:

(a) the term "Training" means expenditures (other than those for consultants' services) incurred by the Recipient to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable) and rental of training facilities and equipment under the Project;

(b) the term "Transitional PIU/PIU's Operational Costs" means reasonable recurrent expenditures that would not have been incurred by the Transitional PIU, the PIU and/or the Coordinating Agencies absent the Project, for transportation and per-diem costs of its staff, office rent and utilities, operation and maintenance of office equipment and vehicles assigned to the Project (including spare parts for said vehicles), and non-durable goods, all needed for the supervision of the Project; and

(c) the term "Recipient's Operational Costs" means reasonable recurrent expenditures that would not have been incurred by the Recipient absent the Project, for remuneration of three professional staff (in the areas of accounting, financial management and procurement) and one administrative assistant of the Recipient who have been assigned by the Recipient to work full-time for the Project, including transportation and per-diem costs of said individuals.

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 an amount equal to \$500,000, may be made in respect of Categories (1), (2), (3), (4) and (5) of the table in paragraph 1 of this Schedule on account of payments made of expenditures before that date but after January 1, 2003.

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: (a) under contracts for goods estimated to cost less than \$75,000 equivalent each with the exception of: (i) the first two contracts for goods to be procured under Part C.1 of Section I of Schedule 3 to this Agreement; and (ii) the contract for goods to be procured under Part C.2 of Section I of Schedule 3 to this Agreement; (b) under contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each with the exception of the first two contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; (c) under contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each with the exception of the first two contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each; and (d) under Training, Transitional PIU/PIU's Operational Costs and Recipient's Operational Costs as set forth in Categories (3), (4)

and (5) of the table in paragraph 1 of this Schedule, respectively, 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 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.

6. In case the Recipient loses its tax exempt status with respect to any of the Participating Countries in which procurement of goods and/or services will be carried out, the percentage financed shall be adjusted pursuant to Section 5.08 of the General Conditions.

SCHEDULE 2

Description of the Project

The objective of the Project is to facilitate the creation of an enabling environment for climate change adaptation in the Participating Countries.

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: Capacity Building to Identify Climate Change Vulnerabilities and Risks

1. Strengthening of the climate monitoring network in the Participating Countries, through, *inter alia*: (a) the upgrading of the existing stations (through the acquisition and installation of hardware and software equipment) and the provision of training to their operational staff on maintenance and operational aspects of said stations for purposes of improving their performance and data reliability; (b) the strengthening of the capacity of the national meteorological or other designated offices to manage the existing climate monitoring stations mentioned in (a) herein, and to expand the applications and use of the data collected through said stations; and (c) the strengthening of the pertinent Coordinating Agency's capacity with respect to sea level monitoring data integrity and archiving, and provision of technical back-stopping.

2. (a) Expansion of the coral reef monitoring network, through, *inter alia*: (i) the acquisition and installation of hardware and software equipment and the provision of training with respect to operation and maintenance of coral reef monitoring activities; and (ii) the upgrading of the platform (located in Jamaica) with additional sensors and equipment to monitor oceanographic parameters using the Coral Reef Early Warning system; and (b) strengthening of coral reef monitoring activities, through, *inter alia*: (i) the enhancement of the institutional capacity of the pertinent Coordinating Agency to improve its function as the regional archiving center for coastal ecosystem data, and to undertake reviews of coral reef conditions on climate change and disseminate thereafter the outcome of said reviews; (ii) the establishment of an Eastern Caribbean technical support node to coordinate the provision of training and capacity building related to the coral reef monitoring system expansion network mentioned in (a) herein; and (iii) the carrying out of analyses of the linkages between climate and coral reef monitoring activities.

3. (a) Strengthening of the institutional capacity of the pertinent Coordinating Agency to carry out statistical and dynamic downscaling of existing global climate

change models, through, *inter alia*, the provision of technical assistance and training, and the acquisition and installation of hardware and software equipment required therefor; (b) carrying out of climate change projections using both, the statistical and dynamic regional climate models (mentioned in (a) herein), to estimate the expected key climate change related variables (including precipitation, sea-surface temperature, humidity, wind regimes and sea-level); (c) operation of climate models with hazard models to predict extreme events under different climate scenarios; and (d) carrying out of a capacity building and awareness program at the regional and national levels through, *inter alia*, the provision of training required therefor.

4. (a) Selection, acquisition and adaptation of the most appropriate climate change impact models which will permit the simulation of the physical impacts of climate change on coastal and watershed ecosystems, and the inter-linkages amongst the key sectors of tourism, water and agriculture in the Participation Countries; (b) development of climate change impacts scenarios using the models mentioned in (a) herein; and (c) carrying out of a capacity building and awareness program at the regional and national levels through, *inter alia*, the provision of training required therefor.

5. (a) Development of a regional guidebook to inform practitioners on the selection of appropriate tools and methods for an effective approach to vulnerability and adaptation analyses, including the further development of guidelines to gather and manage data to carry out said analyses; and (b) carrying out of a capacity building and awareness program at the regional and national levels through, *inter alia*, the provision of training required therefor.

6. (a) Carrying out of vulnerability and risk assessments of the sectors of tourism, water and agriculture in selected Participating Countries, through the use of harmonized approaches and country- and sector-specific climate change projections; (b) dissemination of the reports produced as a result of the assessments referred to in (a) herein to all Participating Countries, including the carrying out of workshops to discuss the recommendations and lessons learned; (c) provision of technical assistance to those Participating Countries (which were not selected under (a) herein) to adapt the assessments' findings to their country-sector specific setting and prepare initial vulnerability and risk assessment reports; and (d) expansion or creation, as the case may require, of regional and/or national databases to support future vulnerability and risk assessments.

Part B: Capacity Building to Reduce Vulnerability to Climate Change

1. Carrying out of identification and analyses of the “no-regrets” climate change adaptation measures to be implemented in all Participating Countries.

2. (a) Carrying out of specific studies on climate change adaptation approaches in the health, water and food security sectors in selected Participating Countries; (b) development of guidelines for the incorporation of measures to address climate change concerns in environmental assessments to be carried out in Participating Countries; and (c) carrying out of a pilot program to test innovative approaches for climate change adaptation in a selected fishing community of a Participating Country.

3. (a) Carrying out of a review of the regional disaster management strategy of 2001 for purposes of incorporating climate change adaptation into said strategy; (b) promotion of collaboration amongst the National Disaster and Meteorological offices in each Participating Country to improve their capacity to forecast and better respond to climate change related disasters; (c) carrying out of a regional program to promote the use of coastal hazards database in all coastal planning, development and construction projects; and (d) carrying out of a study to adapt infrastructure design standards to the impact of climate change, primarily on coastal zones.

4. Provision of technical assistance to all Participating Countries to further refine their national climate change adaptation strategies.

Part C: Capacity Building to Access and Effectively Utilize Resources to Minimize the Costs of Climate Change

1. Support for the development of a regional agenda on climate change adaptation for purposes of addressing and negotiating issues related to said subject with regional, hemispheric and/or international organizations.

2. (a) Design of a regional strategy on climate change adaptation (which strategy shall include an action plan) for purposes of defining actions to be undertaken at a regional level; and (b) provision of assistance to the CCCCC in the development of its business plan.

Part D: Public Education Outreach

1. (a) Design and implementation of a regional public education and outreach program which consists of, *inter alia*: (i) developing public awareness materials for purposes of disseminating said documents to stakeholders; (ii) assisting in the implementation of the graduate program in climate change at the University of the West Indies; (iii) promoting the introduction of climate change elements into the curricula of the education system of Participating Countries; and (iv) promoting the PIU's function of being a clearinghouse of climate change information; and (b) design and implementation of national public education and outreach programs in the Participating Countries.

2. Evaluation of the effectiveness and success of the programs mentioned in Part D.1 above.

Part E: Project Management

1. Strengthening of: (a) the implementation capacity of the Recipient for purposes of carrying out the Project; and (b) the capacity of the PIU for purposes of assisting the Recipient in monitoring, evaluating and supervising the carrying out of the Project.
2. Provision of technical assistance to carry out the Project audits referred to in Section 4.01 (b) (i) of this Agreement.

* * *

The Project is expected to be completed by March 31, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods 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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. To the extent practicable, contracts for goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 above shall be grouped in bid packages estimated to cost \$75,000 equivalent or more each.

Part C: Other Procurement Procedures

1. Shopping

Goods estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$91,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Direct Contracting

Goods under Parts A.3 (a) and A.4 (a) of the Project which are of a proprietary nature and costing \$50,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: 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 shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods to be awarded under Part B above, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts for goods to be procured in accordance with the procedures referred to in Part C.1 above:

- (i) prior to the selection of any supplier under shopping procedures, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

(c) With respect to the contract for goods to be procured in accordance with the procedures referred to in Part C.2 above, the following procedures shall apply

- (i) prior to the execution of any contract procured under said Part, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and
- (ii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Audit services under Part E.2 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Consultants' services for research activities under Part A of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Consultants' services for specialized Project activities and tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, and, if applicable, said consultants' services may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (ii) the first two contracts for the employment of consulting firms estimated to cost the equivalent of less than \$100,000, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more; and (ii) the first two contracts for the employment of individual consultants estimated to cost the equivalent of less than \$50,000, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

SCHEDULE 4

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 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 Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$100,000 until the Bank determines based on the amounts and frequencies of withdrawal applications that a higher amount is required for the operation of the Special Account, such amount not to exceed the amount of the Authorized Allocation.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

(d) Refunds to the Bank made pursuant to 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.

SCHEDULE 5

Terms and Conditions of Participation Agreements

Each Participation Agreement shall include the obligation of the Participating Country to:

(a) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project, as stipulated in an annex to the Participation Agreement;

(b) (i) take or cause to be taken all action to permit the Recipient to carry out the Project; and (ii) not take or permit to be taken any action which would prevent or interfere with the Recipient's compliance with its obligations under this Agreement;

(c) (i) establish, and thereafter operate and maintain, at all times during the implementation of the Project, a national implementation coordination unit (the NICU) with a structure, functions and responsibilities acceptable to the Bank, which shall include, *inter alia*, the responsibility to assist the corresponding Participating Country in the carrying out of its obligations under the pertinent Participation Agreement; and (ii) ensure that the NICU is, at all times during Project implementation, headed by a qualified and experienced national focal point representative, and assisted by qualified and experienced professional and administrative staff;

(d) afford all reasonable opportunity for representatives of the Bank and the Recipient to visit any part of its territory for purposes related to the GEF Trust Fund Grant;

(e) provide to the Recipient the necessary information and/or documentation, as requested by the Recipient in writing, to enable the Recipient to comply with its obligations under this Agreement;

(f) (i) assist the Recipient in the preparation of annual work plans and the progress reports referred to in Section 3.09 and 3.10 (b) of this Agreement, respectively; and (ii) participate in the mid-term review referred to in Section 3.10 (c) of this Agreement; and

(g) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Participation Agreement or any provision thereof.

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