Global Environment Facility
Trust Fund Grant Agreement

(Forest Protection and Reforestation Project)

between

REPUBLIC OF KAZAKHSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

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

Dated November 6, 2006
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated November 6, 2006, between REPUBLIC OF KAZAKHSTAN (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

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

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

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Recipient has also requested the Bank to provide additional financing for the Project and by an agreement of even date herewith between the Recipient and the Bank (the Loan Agreement), the Bank has agreed to provide such assistance in an aggregate principal amount equivalent to thirty million Dollars ($30,000,000) (the Loan); and

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

NOW THEREFORE, the parties hereto hereby agree as follows:
ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions), constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;

(v) Article V;

(vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;

(vii) Section 8.01 (b);

(viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04; and

(x) Article XI; and

(xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
(ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vi) a new sub-paragraph is added after sub-paragraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”; and

(vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “Access Restriction Process Framework” means the framework prepared by the Recipient, satisfactory to the Bank, describing the restricted Project sites, affected persons and institutional arrangements, including grievance procedures to mitigate adverse affects of the Project activities, their monitoring and evaluation arrangements and referred to in paragraph 6 of Schedule 4 to this Agreement;

(b) “CGP” means the Competitive Grant Program to be established by the Recipient pursuant to the Operational Manual (hereinafter defined) for purposes of Part C.2 of the Project;

(c) “CGP Agent” means a financial institution, acceptable to the Bank, which will act as an agent for the Recipient under the CGP;

(d) “CGP Agent Agreement” means the agreement to be entered into between the Recipient and CGP Agent pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the CGP Agent Agreement;
(e) “Competitive Grant Program Board” or “CGPB” means the board to be established by the Recipient under Part C.2 of the Project and referred to in paragraph 9 of Schedule 4 to this Agreement;

(f) “Environmental Management Plan” means the plan, satisfactory to the Bank, approved by the Recipient’s State Environmental Expert on June 6, 2005, describing the environmental mitigation, monitoring and institutional measures under the Project and referred to in paragraph 3 of Schedule 4 to this Agreement;

(g) “FHC” means the Recipient’s Forest and Hunting Committee of the Ministry of Agriculture and includes any successor or successors thereto;

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

(i) “Grant” means a competitive grant made or proposed to be made by the Recipient under Part C.2 of the Project out of the proceeds of the Grant in accordance with the Operational Manual;

(j) “Grant Agreement” means the agreement to be entered into between the Recipient and each Grant recipient referred to in paragraph 13 (c) of Schedule 4 to this Agreement;

(k) “Framework for Participatory Forest Management” means the framework to be approved by FHC of the Recipient describing procedures, guidelines and policies for the implementation of participatory forest management activities under Part A.3 of the Project and referred to in paragraph 7 of Schedule 4 to this Agreement;

(l) “Framework for Saxaul Rangeland Management” means the framework to be approved by FHC of the Recipient describing sites, procedures, guidelines and policies, including long-term usage rights and harvesting regulations for the saxaul rangeland activities under Part B.2 of the Project and referred to in paragraph 8 of Schedule 4 to this Agreement;

(m) “MoA” means the Recipient’s Ministry of Agriculture and includes any successor or successors thereto;

(n) “MoF” means the Recipient’s Ministry of Finance and includes any successor or successors thereto;

(o) “Operational Manual” means the manual to be approved by the Recipient for the operation of the CGP and referred to in paragraph 10 of Schedule 4 to this Agreement;
(p) “PCU” means the project coordination unit to be established by the Recipient within the FHC and referred to in paragraph 1 of Schedule 4 to this Agreement;

(q) “Pest Management Plan” means the plan on the safe handling, use and disposal of pesticides used during implementation of the Project, including Sub-project(s) (defined hereinafter), which is an integral part of the Environmental Management Plan;

(r) “Procurement Plan” means the Recipient’s procurement plan, dated September 26, 2005, covering the initial eighteen (18) month period (or longer) of the Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.03 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of the Project implementation;

(s) “Project Advisory Committee” means the committee to be established by MoA of the Recipient and referred to in paragraph 5 of Schedule 4 to this Agreement;

(t) “Project Implementation Plan” or “PIP” means the project implementation plan referred to in paragraph 4 of Schedule 4 to this Agreement, as said plan may be amended from time to time with the concurrence of the Bank;

(u) “RPOs” means the three (3) regional project offices in Semey, Irtysb and Kzyl Orda to be established by FHC of the Recipient which will provide PCU with an administrative support and referred to in paragraph 1 of Schedule 4 to this Agreement;

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

(w) “Sub-project(s)” means the sub-project(s) selected and approved under CGP in accordance with the criteria and procedures set forth in the Operational Manual and financed in part by a Grant.

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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank,
shall so agree, to be paid) by the Recipient on account of withdrawals made by a recipient of a Grant to meet the reasonable cost of goods, works and services required for implementation of a Sub-project under Part C.2 of the Project in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested.

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

Section 2.03. The Closing Date shall be November 30, 2012, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

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

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

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Bank and the Recipient shall otherwise agree, the Recipient, for purposes of Part C.2 of the Project, shall:

(a) make available under the CGP Agent Agreement the proceeds of the Grant allocated from time to time to Category (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement and the proceeds of funds from the Republican Budget of the Recipient allocated for Grants to the CGP Agent for transferring to Grant recipients for Sub-projects selected in accordance with the procedures, eligibility criteria, and on terms and conditions set forth in the Operational Manual, which shall be satisfactory to the Bank, and shall include, without limitation, reporting, procurement, suspension and termination provisions; and
(b) exercise its rights under the CGP Agent Agreement in such manner as to protect the interests of the Recipient and the Bank, and to accomplish the purposes of the Project, and, shall not assign, amend, abrogate or waive the CGP Agent Agreement or any provision thereof without prior approval of the Bank.

Section 3.03. (a) Except as the Bank shall otherwise agree, procurement of goods, works and services required for Sub-projects under Part C.2 of the Project and selection and employment of consultants’ services for the Project 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, through FHC, shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient, through FHC, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the sustainability of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
(ii) furnish to the Bank as soon as available, but in any case not later than six (6) 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, through FHC, shall:

(i) retain, until at least one (1) 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 paragraph 12 (b) of Schedule 4 to this Agreement, the Recipient, through FHC, 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 forty-five (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 forty-five (45) days after each subsequent, 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 that:

(i) subject to sub-paragraph (ii) of this paragraph:

(A) the right of the Recipient to withdraw the proceeds of any grant or loan made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI
Effectiveness; Termination

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

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

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

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

For the Recipient:

Ministry of Finance
11 Pobedy Street
Astana 010000
Republic of Kazakhstan

Telex: 264126 (FILIN) Facsimile: (7) (3172) 717785

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 Telex: 248423 (MCI) Facsimile: (202) 477-6391
Washington, D.C. 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 Astana, Republic of Kazakhstan as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN

By: /s/ Natalya Korzhova

Authorized Representative

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

By: /s/ Loup Brefort

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>Maximum % of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Training</td>
<td>1,700,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Technical services</td>
<td>2,000,000</td>
<td>35%</td>
</tr>
<tr>
<td>(3) Remote sensing and mapping under Part C.1 of the Project</td>
<td>500,000</td>
<td>80%</td>
</tr>
<tr>
<td>(4) Grants under Part C.2 of the Project</td>
<td>800,000</td>
<td>33% of amounts disbursed</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule, the term:

(a) “training” means expenditures incurred on account of Project related to study tours, training courses, seminars, workshops and meetings, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers; and

(b) “technical services” means expenditures incurred on account of contracting of specialists providing services for specific Project related matters.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of the Agreement; and (b) expenditures in respect of Category (4) in the table in paragraph 1 of Schedule 1 to this Agreement unless, the CGPB has been established by the Recipient and CGP Agent Agreement has been executed and delivered.
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 Grants and training and under contracts for services not subject to the Bank’s Prior Review, as stipulated in the Procurement Plan, 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 objectives of the Project are to assist the Recipient to develop cost effective and sustainable environmental rehabilitation and management of forest lands and associated rangelands with a focus on the Irtysh pine forest, the dry Aral Seabed and saxaul rangelands.

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

Part A: Irtysh Pine Forest

1. Reforestation of 41,000 ha of forest land by re-establishing seed production areas and applied research on cost-effective nursery, planting and direct seeding technologies (e.g. greenhouses, containers, seed pelleting).

2. Provision of fire management and other forestry support by: (i) providing information, consultation and training on fire management; (ii) strengthening existing facilities for fire prevention and detection, improving lookout towers, communications equipment and rejuvenation of the firebreak network; and (iii) improving facilities for fire suppression including road rehabilitation, provision of fire station equipment, and fast-attack vehicles; and (iv) developing a program of thinning and cleaning of forestry, including purchase of vehicles for more effective patrolling to reduce illegal activities, and capacity building in integrated pest management.

3. Forest partnership development by analyzing the potential for environmentally sustainable forest-based enterprises utilizing thinnings, pilot testing participatory forest management in about sixteen (16) villages.

Part B: Environmental Amelioration in Kyzylorda

1. Planting on the dry Aral Seabed on 79,000 ha (44,000 with seedlings and if feasible, 35,000 directly seeded) using cost-effective nursery and planting technologies and developing cost-effective direct seeding techniques.

2. Improving management of saxaul rangelands by about thirty (30) demonstrations of a participatory saxaul rangelands program with each demonstration rehabilitating approximately 200 ha, and increasing access to water for grazing animals, or equivalent level of infrastructure support for grazing, on an additional area of about 7500 ha.
Part C: Capacity Building of National Institutions and Project Coordination

1. Improving policy analysis, public expenditure analysis, information facilities, and support, including mapping, human resource development, and organizational management to strengthen policy and budget decisions, public consultation, inventory, planning, monitoring, staff knowledge and skills, and organizational effectiveness.

2. Provision of Grants for innovative forest development Sub-projects addressing issues related to forest protection, production and processing.

3. Provision of support to the PCU in the Project coordination and management.

* * *

The Project is expected to be completed by May 31, 2012.
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, except for the selection and employment of local consultants’ services to do preparatory work for the Project and consultants’ services to do radionuclide analysis, financed by the Republican Budget of the Borrower, prior to the effectiveness of this Agreement may be procured in accordance with the Borrower’s Law on Procurement dated May 16, 2002, as amended.

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. Other Procurement Procedures

1. Community Participation. Goods, works and services required for Part C.2 of the Project referred to in Schedule 2 to this Agreement may be procured on the basis of community participation in accordance with the provisions of the Operational Manual.

Section III. Particular Methods of Procurement of Consultants’ Services

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

1. 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 $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

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

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

Implementation Program

1. The Recipient, through FHC, shall maintain the PCU and the RPOs during the Project implementation with staff whose qualification and terms of reference shall be satisfactory to the Bank and resources adequate to enable it to effectively implement the Project.

2. The Recipient, through FHC, shall ensure that PCU shall: (a) be responsible for: (i) Project management, coordination and monitoring, including evaluation and reporting to the Project Advisory Committee and CGPB; (ii) preparation of withdrawal applications under the Grant; (iii) management of the Special Account referred to in Section 2.02 (b) of this Agreement; (iv) administration of CGP; (v) procurement of goods, works and services; (vi) maintenance of records and accounts related to the Project and arranging for the audit thereof; (vii) preparation of an annual work program; and (viii) overall responsibility for accounting, financial reporting and management, and preparing of FMRs for the Project; and (b) provide to the Bank by August 15 and by February 15 of each year, throughout the execution of the Project, a semiannual Project monitoring and evaluation reports, including information on the status of the key monitoring indicators, to assess the efficiency of the Project.

3. The Recipient, through FHC, shall implement the Environmental Management Plan, including the Pest Management Plan, in a manner satisfactory to the Bank and shall provide the Bank with a summary status of the implementation (including results from environmental monitoring) as part of normal Project reporting or when specifically requested by the Bank.

4. The Recipient, through FHC, shall take all necessary measures to implement the Project in accordance with PIP and it shall not assign, amend, abrogate or waive any provision of the PIP without prior approval of the Bank.

5. The Recipient, through MoA, shall, within three (3) months after the signing of this Agreement, establish and thereafter maintain until Project completion, the Project Advisory Committee consisting of the representatives of key ministries, Project implementing agencies, non-governmental organizations, private sector, international organizations and donors involved in forest-related activities which will provide policy advice and guidance during the implementation of the Project.

6. The Recipient, through FHC, shall implement the Project in accordance with principles and procedures set forth in the Access Restriction Process Framework and it shall not assign, amend, abrogate or waive any provision of the Access Restriction Process Framework without prior approval of the Bank.
7. The Recipient, through FHC, shall, not later than March 31, 2007, approve the Framework for Participatory Forest Management, which shall be satisfactory to the Bank, and implement the Project in accordance with principles and procedures set forth in the Framework for Participatory Forest Management and it shall not assign, amend, abrogate or waive any provision of the Framework for Participatory Forest Management without prior approval of the Bank.

8. The Recipient, through FHC, shall, not later than December 31, 2006, approve the Framework for Saxaul Rangeland Management which shall be satisfactory to the Bank, implement the Project in accordance with principles and procedures set forth in the Framework for Saxaul Rangeland Management and it shall not assign, amend, abrogate or waive any provision of the Framework for Saxaul Rangeland Management without prior approval of the Bank.

9. The Recipient, through FHC, shall maintain until completion of the Project the CGPB with terms of reference, satisfactory to the Bank.

10. The Recipient, through FHC, shall, not later than December 31, 2006, approve the Operational Manual and maintain it throughout the execution of the Project in form and content satisfactory to the Bank and shall not assign, amend, abrogate or waive the Operational Manual without obtaining the prior approval of the Bank. The Operational Manual shall cover, inter alia, the following matters: (a) eligibility criteria for Sub-projects; (b) the principles and procedures to be followed for the approval of Sub-projects; and (c) the indicators to be utilized by the Recipient in monitoring the progress of the Sub-project.

11. The Recipient shall provide a report with all relevant data resulting from the testing on radionuclide contamination of the area under Part A of the Project referred to in paragraph 2 (b) of Schedule 1 to the Loan Agreement and, if the report indicates that additional testing and data is necessary, it shall prepare and provide to the Bank one or more similar additional reports in the future. If any of the following report indicates that the radionuclide contamination level exceeds national norms, the Recipient, through FHC, shall take appropriate management measures, including the avoidance of contaminated areas, disclosing the report to the public and undertaking a public awareness campaign on risks associated with contaminated forest areas and products, all satisfactory to the Bank.

12. The Recipient, through FHC, shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
(b) prepare, under terms of reference satisfactory to the Bank, and furnish to
the Bank, on or about October 31, 2009, a report integrating the results of the monitoring
and evaluation activities performed pursuant to paragraph (a) of this Section, on the
progress achieved in the carrying out of the Project during the period preceding the date
of said report and setting out the measures recommended to ensure the efficient carrying
out of the Project and the achievement of the objectives thereof during the period
following such date; and

c) review with the Bank, by November 30, 2009, or such later date as the
Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter,
take all measures required to ensure the efficient completion of the Project and the
achievement of the objectives thereof, based on the conclusions and recommendations of
the said report and the Bank’s views on the matter.

13. The Recipient, through FHC, shall ensure:

(a) that Sub-project proposals for Grants under Part C.2 of the Project shall
be selected, appraised, implemented and evaluated in accordance with the principles,
procedures and criteria set forth in the Operational Manual.

(b) that Sub-project proposals selection results shall be subject to the Bank’s
prior review and approval; and

(c) that the award of the Grant shall be made by the CGP Agent in
accordance the standard Grant Agreement form included in the Operational Manual,
whereby: (i) the Sub-projects proposals for the carrying out of which the Grant is
awarded is adequately described; (ii) the Grant recipient shall be required to carry out
such Sub-project proposals as described and within the budgetary limits set forth in the
Grant Agreement and to procure goods and services required for the carrying out of the
Sub-project proposals in accordance with the procedures set forth in the Grant
Agreement; (iii) the amount of each Grant shall be based upon estimated cost of goods,
works and services and operating costs that will be required for the Sub-project, and shall
not exceed the limit of each Grant set forth in the Operational Manual; and (iv) the
purpose and use of the Sub-project and cost sharing to be made by the Grant recipient
with respect to the financing of the Sub-project is in accordance with the requirements set
forth in the Operational Manual.

14. The Recipient, through FHC, shall ensure that the CGP Agent Agreement shall,
inter alia, include, namely, that: (i) the proceeds of the Grant will be disbursed by the
CGP Agent in a timely manner and in compliance with the terms and conditions and
procedures referred to or set forth in the CGP Agent Agreement and the Operational
Manual; (ii) CGP Agent will undertake all necessary actions and exercise all of its rights
in the CGP Agent Agreement, including suspension or termination of the right of Grant
recipients to use the proceeds of the Grant upon failure by the Grant recipient to perform
any of its obligation under the Grant Agreement; (iii) CGP Agent will be empowered, upon failure by the Grant recipient to carry out its obligations under the Grant Agreement, to terminate it with prior agreement of FHC, cease disbursement of the Grant provided thereunder and request other appropriate remedies available under the laws of the Recipient; (iv) up to a maximum thirty percent (30%) of the Grant funds will be advanced to the CGP Agent into a treasury or commercial bank account to assure that the proceeds of the Grant are disbursed to the Grant recipients in a timely manner; and (v) the CGP Agent will furnish to the FHC and PCU documentation of expenditure in a period of sixty (60) days to assure that no Grant funds will be advanced for a period of longer than sixty (60) days.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of services required for the Project and goods, works and services required for Part C.2 of the Project 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 $500,000 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 $250,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $2,500,000.

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, 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.