Ms. Julia Marton-Lefèvre  
Director General  
International Union for Conservation of Nature and Natural Resources  
Rue Mauverney 28  
1196 Gland  
Switzerland

Re: Single-Donor Trust Fund Grant No. TF016594  
ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia

Dear Ms. Marton-Lefèvre,

In response to the request for financial assistance made on behalf of the International Union for Conservation of Nature and Natural Resources (IUCN) ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively, the "World Bank"), acting as administrator of grant funds provided by the Austrian Development Agency (the "ADA" or "the Donor") under the ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia Single-Donor Trust Fund (Trust Fund No. TF072124) ("Trust Fund"), proposes to extend to the Recipient for the benefit of the Republic of Armenia and Georgia, a grant in an amount not to exceed eight hundred thousand United States Dollars (US$800,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the Project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank has received a contribution from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective.
Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION

Henry Kerali
Country Director
Europe and Central Asia Region

AGREED:
INTERNATIONAL UNION FOR CONSERVATION OF NATURE AND NATURAL
RESOURCES

By
Authorized Representative

Name
Title
Date:

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section 1. of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following terms have the meanings ascribed to them below:

   (a) "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011;

   (b) "ADA" means the Austrian Development Agency;

   (c) "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011;

   (d) "Country Work Plan" means a document acceptable to the World Bank and the ADA, and approved by the Steering Committee, setting forth the activities to be carried out under the Project by the World Bank and each of the Grant Recipients, in Georgia and Armenia, which may be updated periodically, as required, with prior approval of the World Bank and the Steering Committee;

   (e) "EIA" means the Environmental Impact Assessment, prepared by the Recipient to identify and assess the potential environmental and social impacts of a proposed project which on the basis of screening has been assigned as Environmental Assessment Category B\(^1\), evaluate alternatives, and design appropriate mitigation measures;

   (f) "EAMF" means the Environmental Assessment and Management Framework, adopted by the Recipient upon the World Bank’s approval, containing: (i) procedures to assess the potential environmental impacts of the Project activities, as well as the corresponding mitigation requirements; (ii) details on procedures,

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\(^1\) Projects can be categorized as "Category A", "Category B" or "Category C". Category A Project: the project is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. Category B Project: the project's potential adverse environmental impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other natural habitats—are less adverse than those of Category A projects. Category C Project: the project is likely to have minimal or no adverse environmental impacts.
criteria, and responsibilities for activities' screening; (iii) requirements for the preparation of the EIA and/or EMP, where applicable; and (iv) roles and responsibilities with regard to EMF implementation and reporting;

(g) “EMP” means the Environmental Management Plan for an Environmental Assessment Category B project prepared by the Recipient, and acceptable to the World Bank, which details: (i) the measures to be taken during the implementation and operation of a project to eliminate or offset adverse environmental impacts, or to reduce them to acceptable levels; (ii) roles and responsibilities in supervision, monitoring and reporting of its implementation; and (iii) implementing arrangements and necessary financial resources;

(h) “ENPI” means the European Neighborhood and Partnership Instrument East Countries;

(i) “FLEG” or “the Program” means the Forest Law Enforcement and Governance Program, which supports governments, civil society, and the private sector in Participating Countries in the development of sound and sustainable forest management practices;

(j) “FLEG I” or “Phase I” means the set of activities of the Program implemented under the Administration Agreement between the European Commission and the World Bank dated December 18, 2007 and between ADA and the World Bank dated November 24, 2011, and related Grant Agreements;

(k) “FLEG II” or “Phase II” means the set of activities of the Program to be implemented under the Administration Agreement between the European Commission and the World Bank effective on December 5, 2012 and between ADA and the World Bank dated December 12, 2013, and related Grant Agreements;

(l) “Fiscal Year” means the twelve-month (12) period beginning July 1 and ending June 30 of each calendar year;

(m) “IBRD Safeguards” means the World Bank Safeguard policies and related procedures with respect to areas such as environment, social and legal matters, as well as access to information;

(n) “Implementing Entity” (IE) means the World Wide Fund for Nature or the International Union for Conservation of Nature and Natural Resources, and the World Bank. Implementing Entities act in partnership to ensure coordinated implementation of Program/Project activities;

(o) “Inception Phase” means the period following the countersignature date of the Trust Fund Administration Agreement between ADA and the World Bank, from January 1, 2014 through March 31, 2014;

(p) “IUCN” means the International Union for Conservation of Nature and Natural Resources;
“National Focal Points” means the liaisons designated by Georgia and Armenia to liaise with the World Bank, IUCN and WWF under the FLEG Program;

“National Program Advisory Committee” (NPAC) means an advisory and coordination body in each Participating Country consisting of representatives of key stakeholder groups. It is chaired by the National FLEG focal point in each Participating Country, and will support the Trust Fund in an advisory capacity;

“Participating Country” means either Republic of Armenia or Republic of Georgia; and “Participating Countries” means both Republic of Armenia and Republic of Georgia;

“Pilot Activities” means activities to be implemented at a sub-national and local level to test and demonstrate best practice for sustainable forest management and the feasibility of improved forest governance techniques;

“POM” means the Project Operational Manual, referred to in paragraph 2.03 (d) of the Annex to this Agreement, adopted by the Recipient, setting out the operational and administrative procedures for the implementation of the Project as such manual may be updated from time to time;

“Process Framework” means the Resource Access Restriction Process Framework Fund, adopted by the Recipient upon the World Bank’s approval, to guide the mitigation of potential negative impacts on the livelihoods on populations resident near and/or within the location of implementation of certain activities under the Project, as the same may be modified from time to time by agreement between the Recipient and the World Bank;


“Procurement Plan” means the procurement plan for the Project-related activities financed by this Grant Agreement, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines to be prepared by the Recipient, as the same shall be updated annually in a manner satisfactory to the World Bank;

“Program Coordination Teams” consists of representatives from the World Bank, IUCN, and WWF. These teams were created within the FLEG Program to facilitate, harmonize, and align activities funded by different donors and implemented by various development partners, to avoid duplication of efforts and promote consistency and efficiency in the implementation of development activities in the region;

“Program Management Team” (PMT) means the team consisting of three Program Managers, one from each Implementing Entity. The function of the PMT is, with guidance from the Steering Committee (SC), to lead and manage the FLEG
Program and organize Program-wide and country-level delivery. The PMT will ensure effective and balanced use of resources and the comparative advantages of the different stakeholders;

(aa) “Project” means this “ENPI East Countries FLEG II: Complementary Measures for Georgia and Armenia”. This Project is part of the overall FLEG II Program of activities for which the Recipient and other Implementing Entities act in partnership to ensure coherent implementation;

(bb) “SESAF” means the Strategic Environmental and Social Assessment Framework, prepared by the Recipient, which shall: (i) be applied to all forestry policy documents (policies, programs and plans) to be supported under the Project and identify the types of environmental and social issues that can be expected to be associated with the proposed policy documents; and (ii) provide guidance on how these aspects should be integrated into the analytical and decision-making processes, including the provisions for an effective stakeholder participation;

(cc) “Steering Committee” (SC) means the Committee consisting of representatives from the FLEG National Focal Points from each Participating Country, one representative each from the Donor (ADA), and one representative from each Implementing Entity (World Bank, IUCN and WWF);


**Article II**

**Program Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to support Georgia and Armenia in strengthening forest governance through improving implementation of relevant international processes, enhancing their forest policy, legislation and institutional arrangements, and developing, testing and evaluating sustainable forest management models at the local level on a pilot basis for future replication. The Project will finance activities under the following areas of support in the Participating Countries:

- Pilot activities for sustainable forest management;
- Forest case studies;
- Capacity building and training;
- Public awareness and dissemination of results of Program outputs.

It is understood and agreed that the detailed activities to be financed under the above mentioned areas will be approved as part of the Country Work Plans, through a decision of the Steering Committee of the Trust Fund.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (i) maintain during the duration of the Project a Project Manager in a manner satisfactory to the World Bank; and (ii) carry out the Project in accordance with the provisions of (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA
2.03. **Institutional and Other Arrangements.** The Recipient shall:

(a) implement the Project in partnership with the World Bank, the WWF, and the ADA, and in close coordination and consultation with the respective governments of Georgia and Armenia, civil society and the private sector of Georgia and Armenia;

(b) submit draft Country Work Plans developed by country teams (comprised of one country member for each Implementing Entity) to the World Bank for the first round of approval and then to the Steering Committee for confirmation of such approval. Country Work Plans shall be developed in consultation and with the participation of the respective NPACs. The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the Country Work Plans without prior no objection from the World Bank and subsequent approval from the Steering Committee. The Recipient shall implement the Project in accordance with the approved Country Work Plans;

(c) ensure that all activities undertaken under the Project comply with environmental standards and guidelines satisfactory to the World Bank. To that end, the Recipient shall ensure that, where applicable: (i) the Project activities related to policies, national forestry plans and programs, are carried out in accordance with the provisions of the SESAF and implemented in a manner satisfactory to the World Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project and (ii) Project pilot-related activities will be screened in terms of environmental and social safeguards and if needed an EIA and an EMP will be prepared, satisfactory to the World Bank. The SESAF and EMP documents are prepared by the Recipient and shall not be assigned, amended, abrogated, or waived without prior approval of the World Bank;

(d) carry out the Project in a timely manner and in accordance with provisions of the Project Operational Manual. Such manual includes, *inter alia*:

(i) rules, methods, guidelines and procedures relating to Project implementation;

(ii) administrative, financial, accounting and auditing management arrangements, requirements and detailed procedures consistent with the provisions of Section 2.05 of this Article II;

(iii) guidelines and procedures for procurement consistent with the provisions of Section 2.06 of this Article II;

(e) not amend or waive, or permit to be amended or waived said Project Operational Manual or any provisions thereof, except with the prior written approval of the World Bank.
2.04. **Project Monitoring, Reporting and Evaluation.**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators developed by the Recipient during the preparation of the Country Work Plans, acceptable to the World Bank. Each Project Report shall cover the period of six months and shall be furnished to the World Bank not later than one month after the end of the period covered by such report;

(b) The Recipient shall prepare a Procurement Plan, acceptable to the World Bank, on an annual basis, with the first Procurement Plan covering Year 1 (the first 12 months) of the Project, including the Inception Phase, and subsequent Procurement Plans submitted annually thereafter;

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Project Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year (with the exception of the first audit which will cover the period of the Inception Phase as defined in Section 1.02 (o) until end of June 2014), although the first and last audit period may be extended to cover 18 months. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

(d) The annual audit will be conducted in accordance with the Terms Of Reference acceptable to the World Bank.

(e) The World Bank will provide the ADA with copies of all financial statements’ and auditors’ report received by the World Bank from the Recipient pursuant to this Grant Agreement.

2.06. **Procurement**

(a) General
1. Goods. All goods required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Procurement under the Project shall be carried out by the Recipient in accordance with the provision of this Section, as the same shall be elaborated in the Procurement Plan prepared and updated from time to time by the Recipient according to the Procurement Guidelines and the Consultant Guidelines.

4. Definitions. The capitalized terms used below in this Section to describe procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(b) Particular Methods of Procurement of Goods

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding;

2. Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than Competitive Bidding, which may be used for goods for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
</tbody>
</table>

(c) Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, Consultants’ Services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection;

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement of consultants’ services, other than Quality and Cost-Based Selection, which may be used for consultants’ services for those contracts which are specified in the Procurement Plan.
Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualification</td>
</tr>
<tr>
<td>(c) Single-Source Selection of Consulting Firms</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

(d) 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 World Bank.

(e) Procurement of Training

Training shall be procured in accordance with agreed procedures set out in the Project Operational Manual, and the Procurement Plan.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services, Audit, Operating Costs and Training under the Project</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>800,000</td>
<td></td>
</tr>
</tbody>
</table>

a) For purposes of this Grant Agreement, the term “Operating Costs” means reasonable costs incurred by the Recipient on account of Project implementation, including (i)
management and monitoring; (ii) costs related to the Recipient’s Project related staff, and individual consultants (not otherwise covered under Consultants’ Services) already in place under Recipient’s contracts either full or part-time; (iii) financial management and procurement staff, including expenses related to the Audit; (iv) overheads; (v) project related travel expenses including accommodation and per diems; and (vi) office consumables and supplies.

b) For purposes of this Grant Agreement, the term “Training” means expenditures incurred on account of training activities for stakeholders from Georgia and Armenia, such as workshops, seminars, media and/or study tours, and other training activities included in the Country Work Plans, which may include, printing, publications and other dissemination media expenses, facilities and equipment rental, participation fees charged for attendance at outside courses or conferences, and travel and subsistence of trainers and trainees.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed US$160,000 equivalent may be made for payments made prior to this date but on or after January 1, 2014, for Eligible Expenditures under Category (1); and

(b) for Eligible Expenditures under Category (1) until the Recipient has submitted to the World Bank (i) an updated Procurement Plan to cover the time of the Inception Period of the Project, and (ii) a projected Procurement Plan for 12 months of Year 1 of the Project; both in a manner satisfactory to the World Bank.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2016.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Director General.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

International Union for Conservation of Nature and Natural Resources
Rue Mauverney 28
11965 Gland
Switzerland

Facsimile:
(41 22) 999-0002

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:
International Bank for Reconstruction and Development/International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

<table>
<thead>
<tr>
<th>Cable</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTBAFRAD</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Since the "Project" will be implemented in various member countries, the definition of the term "Member Country" referred in the Standard Conditions is hereby modified to include at the end of said definition, the following: “If the Project is carried out in the territory of more than one member of the World Bank, “Member Country” refers separately to each such member.”