Global Environment Facility
Trust Fund Grant Agreement

(Rio de Janeiro Sustainable Integrated Ecosystem Management in Production Landscapes of the North-Northwestern Fluminense Project)

between

STATE OF RIO DE JANEIRO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated June 30, 2005
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 30, 2005, between the STATE OF RIO DE JANEIRO (the Recipient) and the 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 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 Project will be carried out by the Recipient, through SEAAPI, with the assistance of CI/BRASIL, EMATER-RIO, EMBRAPA, FEEMA, DPGE, DRM, PESAGRO-RIO, and SOS Mata Atlântica, as provided in this Agreement; 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 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;

(vii)  Section 8.01 (b);

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

(ix)  Section 10.03;

(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) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08 Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.’’;

(vii) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.’’;
(viii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”;

(ix) the first sentence of Section 10.01 of the General Conditions is deleted; and

(x) Section 10.04 of the General Conditions is modified as follows:

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

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) “Beneficiary” means: (i) a farmer or group of farmers holding ownership, possession or renting rights to the land or are partners, concessionaires or settlers of the agrarian reform; and (ii) a Community Association, grassroots associations and producer cooperatives which meet the criteria set forth in the Operational Manual (as hereinafter defined) as beneficiaries of Microcatchment Subprojects (as hereinafter defined) under Part B.1 of the Project;

(b) CEDRUS means Conselho Estadual de Desenvolvimento Rural Sustentável, the Recipient’s Sustainable Rural Development Council;

(c) “CI/BRASIL” means Conservation International Brazil, a local non-governmental organization affiliated with Conservation International, an international organization aimed at protecting plant and animal diversity in biodiversity hotspots, major tropical wilderness areas and key marine ecosystems;

(d) “CMDRS” means Conselho Municipal de Desenvolvimento Rural Sustentável, each of the Recipient’s Municipal Rural Sustainable Development Councils;
(e) “COGEM” means Comitê Gestor da Microbacia, each of the Recipient’s Microcatchment management committees;

(f) “Community Association” means a civil association formed by members of a community (associação civil) duly established in the Recipient’s territory in accordance with the FRB’s laws;

(g) “Convênio” means each of the institutional arrangements referred to in Section 3.03 (a) of this Agreement;

(h) “COREM” means Comitê Regional de Microbacias, the Recipient’s regional Microcatchment committee;

(i) “DPGE” means Defensoría Pública Geral do Estado, the Recipient’s Public Defender’s Office;

(j) “DRM” means Departamento de Recursos Minerais, the Recipient’s Department of Mineral Resources;

(k) “EMATER-RIO” means Empresa de Assistência Técnica e Extensão Rural de Rio de Janeiro, the Recipient’s rural extension agency established pursuant to the FRB’s Law No. 6969 of December 26, 1977;

(l) “EMBRAPA” means Empresa Brasileira de Pesquisa Agropecuária, the FRB’s Agricultural Research Enterprise, established pursuant to the FRB’s Law No. 5851 of December 7, 1972;

(m) “Environmental Management Plan” means the plan dated January 1, 2005, and duly adopted by the Recipient as part of the Operational Manual (as hereinafter defined), which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as such plan may be revised from time to time with the agreement of the Bank;

(n) “Executing Bodies” means CI/BRASIL, COPPETEC, DRM, EMATER-RIO, EMBRAPA, FEEMA, DPGE, PESAGRO-RIO, SEAAPI and SOS Mata Atlântica;

(o) “FEEMA” means Fundação Estadual de Engenharia do Medio Ambiente, the Recipient’s Environmental Management Foundation;
(p) “Financial Monitoring Report” and “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(q) “FRB” means the Federative Republic of Brazil;

(r) “Implementation Plan” means each of the annual plans referred to in Section 3.07 of this Agreement;

(s) “Microcatchment” means microbacia hidrográfica, a portion of a watershed or area, bound peripherically by a water parting, and draining ultimately in a particular watercourse which meets the criteria set forth in the Operational Manual;

(t) “NNFW Region” means the Recipient’s north and northwest Fluminense Region;

(u) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.05 of this Agreement as the same may be amended from time to time by agreement between the Bank and the Recipient;

(v) “PEM” means Plano Executivo da Microbacia, each of the Microcatchment development plans referred to in Part A.2 (a) of the Project;

(w) “Performance Indicators” means the set of performance indicators, to be used for purposes of monitoring the progress of the Project, set forth in the Operational Manual, as such indicators may be revised with the agreement of the Bank;

(x) “PESAGRO-RIO” means Empresa de Pesquisa Agropecuaria do Estado do Rio de Janeiro, the Recipient’s enterprise for agricultural research;

(y) “PID” means Plano Individual de Desenvolvimento, each of the individual plans for the development of a productive unit (farm) referred to in Part A.2 (b) of the Project;

(z) “Procurement Plan” means the Recipient’s procurement plan, dated March 15, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;
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 equivalent to six million seven hundred fifty thousand Dollars ($6,750,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, services, and incremental operational costs.
required for carrying out the Project, as well as the goods, works and services required for the Subprojects, and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be November 30, 2010 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project, through SEAALI, with the assistance of:

(a) EMATER-RIO, in respect of Parts A.2 (a), A.2 (b), C.3, D.2 and D.3 of the Project;

(b) PESAGRO-RIO, in respect of Part B.2 of the Project;

(c) EMBRAPA and DRM, in respect of Parts C.2 and D.2 of the Project;

(d) FEEMA, in respect of Part D.2 of the Project;

(e) CI/BRASIL, in respect of Parts A.1, C.2 and D.2 of the Project;

(f) SOS Mata Atlântica, in respect of Part C.2 and D.2 of the Project; and

(g) DPGE, in respect of Part A.2 (c),

all with due diligence and efficiency and in conformity with appropriate administrative, financial, social and environmental standards and practices, and shall provide, promptly as needed, counterpart funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.
(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.03. The Recipient shall:

(a) enter into institutional arrangements (Convênios) with each of EMATER-RIO, PESAGRO-RIO, EMBRAPA, DRM, DPGE, FEEMA, CI/Brazil, and SOS Mata Atlântica, under terms and conditions satisfactory to the Bank, setting forth their respective responsibilities for the implementation of those Parts of the Project in which each of the agencies mentioned above participates; and

(b) exercise its rights and comply with its obligations under each of the Convênios in such manner as to protect the interests of the Recipient and the Bank and to accomplish the objective of the GEF Trust Fund Grant, and except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce any of the Convênios or any provision thereof.

Section 3.04. For the purposes of carrying out the Project, the Recipient shall:

(a) establish and thereafter maintain until completion of the Project, a unit within SEAAPI (the SEP), with a structure and functions satisfactory to the Bank, and with staff in adequate numbers and with adequate qualifications, for the purposes of assisting in the overall coordination of the Project, such unit to be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank; and

(b) establish (when needed) and thereafter integrate and coordinate the participation of the Steering Committees in the Project at the state, regional (NNWF), municipal and local level, with membership, responsibilities, structure and functions satisfactory to the Bank.

Section 3.05. Without limitation to the provisions of Section 3.01 of this Agreement, the Recipient shall carry out the Project in accordance with the provisions of a manual, satisfactory to the Bank (the Operational Manual), which shall contain the policies and procedures for the carrying out, monitoring and evaluation of the Project, including, inter alia: (a) the organizational structure of the Project (including the role of the Steering Committees and the Executing Bodies); (b) criteria for the selection of Microcatchments and Beneficiaries and for the financing of Subproject Grants; (c) requirements for the selection, approval and implementation of Subprojects, including the environmental screening, evaluation, approval and monitoring procedures; (d) the Project procurement and financial management requirements and procedures, (e) the Environmental Management
Plan; and (f) the indicators to be used for Project monitoring and evaluation. In case of any inconsistency between a provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail.

Section 3.06. For the purposes of carrying out Part B.1 of the Project, the Recipient shall:

(a) enter into an agreement with each Beneficiary, substantially in accordance with the terms and conditions set forth in the Operational Manual, including provisions regarding cofinancing agreements for said Subproject; and

(b) exercise its rights and comply with its obligations under each of the Subproject Grant Agreements, in such a manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund Grant and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce any of the Subproject Grant Agreements or any provision thereof.

Section 3.07. The Recipient shall:

(a) not later than October 31 of each year during Project implementation, furnish to the Bank for its approval, an annual implementation plan (the Implementation Plan), each said plan to include, inter alia: (i) the project activities to be carried out by the Recipient and other participating entities, during the calendar year following the presentation of each said plan; (ii) the Procurement Plan update for each said calendar year; and (iii) the budget allocated to the Project for the year in question and the respective sources of funding therefor; and

(b) thereafter implement each said Implementation Plan, approved by the Bank, in accordance with its terms.

Section 3.08. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than six months after the Effective Date and every year thereafter during the period of Project implementation, reports integrating the results of the 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 such reports 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 shortly after such reports’ preparation, the reports 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 reports and taking into account the Bank's views on the matter.

Section 3.09. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements 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 months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section
for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such reports 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 reporting obligations set out in Section 3.08 of this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank (the FMR), 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 by the GEF Trust Fund Grant and other financial and kind contributions, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

Effectiveness; Termination

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

(a) each of the Convênios has been entered into between the respective parties thereto;

(b) the Recipient has adopted the Operational Manual;

(c) the SEP has been established in form and substance satisfactory to the Bank;

(d) the Project Implementation Plan for the first 12 months of Project execution has been approved by the Bank; and

(e) the financial management system referred to in Section 4.01 (a) of this Agreement has been established in a manner satisfactory to the Bank.

Section 5.02. The date September 28, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI
Representative of the Recipient; Addresses

Section 6.01. The Secretary of Agriculture, Fisheries and Rural Development of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Secretariat of Agriculture, Fisheries and Rural Development
Alameda São Boaventura 770,
Niterói, Rio de Janeiro
Brazil

Facsimile: (21) 262-71490

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
Facsimile: (202) 477-6391
Washington, D.C.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Rio de Janeiro, Brazil, as of the day and year first above written.

STATE OF RIO DE JANEIRO

By /s/ Rosinha Garotinho

Authorized Representative

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

By /s/ Vinod Thomas

Authorized Representative
## SCHEDULE 1

### Withdrawal of the Proceeds of the GEF Trust Fund Grant

#### General

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (other than for Subprojects)</td>
<td>380,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services (other than for Subprojects)</td>
<td>1,580,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Works and Consultant’s services for Subprojects</td>
<td>2,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Costs</td>
<td>1,215,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>675,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,750,000</td>
<td></td>
</tr>
</tbody>
</table>

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, materials, services and equipment under the Project; and

(b) the term “Incremental Operating Costs” means the reasonable cost of recurrent expenditures, all which would not have been incurred absent the Project required for the dissemination activities to be carried out by SEP, and the operations of the Executing Bodies (as defined in each Convênio) such as: (i) travel and per diem costs for staff carrying out supervisory, technical support to Beneficiaries, and quality control activities, as well as those travel costs associated with the COREM; (ii) consumable items; (iii) utilities and supplies; and (iv) operation and maintenance of vehicles, repairs, fuel and spare parts.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $340,000 may be made on account of payments made for expenditures before that date but after March 15, 2005 but not earlier than twelve months prior to the date of this Agreement; and (b) expenditures under Category (4) set forth in the table in paragraph 1 to Part A of this Schedule, unless the Bank has reviewed and approved the first five (5) Subproject Grant Agreements.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under such terms and conditions as the Bank shall specify by notice to the Borrower.

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.
SCHEDULE 2

Description of the Project

The objective of the Project is to promote an integrated ecosystem approach to guide the development and implementation of sustainable land management practices in Microcatchments located in the Recipient’s NNFW Region.

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: Planning for Integrated Ecosystems Management Actions

1. Carrying out studies, workshops, and the necessary public consultation to enhance the policy, legal and regional planning framework for sustainable ecosystem management in the NNWF Region.

2. Promoting behavioral changes among rural producers with respect to the preservation of natural resources and management of ecosystems and landscapes, through: (a) the formulation of Microcatchment development plans in critical and/or unique Microcatchments; (b) the preparation of farm-based individual or collective development plans; and (c) the participatory preparation of norms for responsible use of natural resources in the Microcatchments described in (a) above, to be applied in compliance with existing environmental legislation.

Part B: Support System for the Adoption of Integrated Ecosystem Management and Sustainable Land Management Practices

1. Promoting the transition from conventional agricultural systems to a sustainable rural livelihood, through the financing of investments in Microcatchments (Subprojects) consisting of, inter alia: (a) recovery of degraded lands; (b) conservation or sustainable use of biodiversity; (c) water resources management and protection; (d) redirection of productive systems towards those that are socially and environmentally-friendly; and (e) processing and commercialization of environmentally and socially sound products.

2. Supporting the adaptation of existing soil management practices and/or adequate technological solutions to replace currently unsustainable land use practices identified by the farming community at the Microcatchment level, through: (a) the improvement and validation of practices for the integrated management of natural resources; (b) the adaptation and validation of cropping, agroforestry and pasture management systems to
increase carbon stocks and biodiversity; and (c) the implementation of pilot agricultural production units to improve the use of rural space in environmentally fragile and vulnerable areas.

**Part C: Organization and Capacity Building for Integrated Ecosystem Management**

1. Strengthening the capacity of existing Community Associations residing in Project-supported Microcatchments in the management of natural resources, through the development and implementation of community self-management activities and the development and implementation of a community-based communication plan.

2. Developing and implementing management and technical capacity building programs, through the provision of training (including workshops, exchange trips and field days) and environmental education to officials of the Executing Bodies on conservation and sustainable use of natural resources, including training to support the implementation of socio-environmental actions on farms and in Microcatchments.

3. Enhancing local capacity and increase support for sustainable natural resources management, through the provision of training and environmental education efforts to rural producers, family-based farmers, and residents of Project-benefited Microcatchments.

**Part D: Project Management, Monitoring, Evaluation and Dissemination**

1. Ensuring the effective implementation of Project activities and the efficient management of resources, through the provision of technical assistance, the necessary office equipment and operational costs for the operation of the SEP.

2. Ensuring the achievement of Project objectives, through monitoring and evaluation activities that provide inputs to continuously guide Project management decisions.

3. Designing and implementing of a Project information dissemination strategy to ensure the dissemination of Project experiences and lessons learned.

* * *

The Project is expected to be completed by November 31, 2009.
SCHEDULE 3

Procurement and Consultants’ Services

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the FRB.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than $100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
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 $500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. 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.

4. 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 said method.

5. Selection Based on Consultants’ Qualifications. Services 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, 3.7 and 3.8 of the Consultant Guidelines.

6. 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

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;

   (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 equivalent to $675,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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.