Global Environment Facility
Trust Fund Grant Agreement

(Integrated Nutrient Pollution Control Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated December 28, 2007
GEF TRUST FUND GRANT NUMBER TF058040 RO
RELATED TO LOAN NUMBER 4873 RO

GLOBAL ENVIRONMENT FACILITY TRUST FUND
GRANT AGREEMENT

AGREEMENT dated December 28, 2007, entered into between ROMANIA
(“Recipient”); and INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT (“the Bank”), acting as an implementing agency of the Global
Environment Facility (“GEF”).

The Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the Bank Out of Various Funds,
dated July 20, 2006 (“Standard Conditions”), constitute an integral part of this
Agreement.

1.02. 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.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described
in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall
carry out the Project through the Ministry of Environment and Sustainable
Development (MESD) in accordance with the provisions of Article II of the
Standard Conditions and the agreement dated the same date as this Agreement
between the Bank and the Recipient.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and
except as the Recipient and the Bank shall otherwise agree, the Recipient shall
ensure that the Project is carried out in accordance with the provisions of
Schedule 2 to this Agreement.

Article III
The Grant

3.01. The Bank agrees to extend to the Recipient, on the terms and conditions set forth
or referred to in this Agreement, a grant in an amount equal to five million five
hundred thousand United States Dollars ($5,500,000) (“Grant”) to assist in
financing the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV
Remedies of the Bank

4.01. The Additional Event of Suspension consists of the following:

(i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Loan made to the Recipient for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Loan Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under 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 V
Effectiveness; Termination

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of the GEF Grant Agreement) have been fulfilled.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economy and Finance.

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

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:       Telex:       Facsimile:
INTBAFRAD    248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

AGREED at Bucharest, Romania, as of the day and year first above written.

ROMANIA

By: /s/ Varujan Vosganian
Authorized Representative

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

By: /s/ Benoit P. Blarel
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to reduce nutrient discharges into water bodies and to promote behavior change through strengthened institutional and regulatory capacity and demonstrated commune-based actions and, hence, support the Government of Romania to meet the EU requirements in the field of water protection.

The Project consists of the following parts:

Part I: Communa-based Investments in Nitrate Vulnerable Zones

Support to the Beneficiaries to implement Sub-projects in the following areas: (i) improving communal storage and handling systems to promote better management of livestock and household waste; (ii) planting of vegetative buffer strips and the rehabilitation of small areas of communal pastureland; (iii) water and sanitation activities; (iv) promotion of the adoption by the farmers of the improved nutrient management practices set forth in the Code of Good Agricultural Practices; (v) the carrying out of feasibility studies for improving water and wastewater services; and (vi) testing and demonstrating the feasibility of biogas and energy co-generation of manure and organic household waste through anaerobic digestion.

Part II: Institutional Strengthening and Capacity Building

1. Update the legislation on water and soil protection in line with EU regulations related to EU Nitrates Directive and Water Framework Directives, with an emphasis on clarifying implementation and coordination responsibilities across agencies.

2. Support to ANAR to lead inter-agency working groups at the river basin and county level for the EU Nitrates Directive, and to report to the MESD and EU on such activities, through the completion of the construction and equipment of ANAR’s training facility, and the acquisition of equipment for groundwater wells and mobile and in-situ sampling and laboratory equipment. In addition, support may be provided to institutions represented in the Inter-Ministerial Committee for Application of the EU Nitrates Directive (ICA).

3. Carrying out of a comprehensive training program for the staff of relevant national, regional and county level agencies members of the EU Nitrates Directive working groups.

4. Carrying out training activities for the Beneficiaries to enable them to access EU funds, including preparation, implementation and management of projects.
5. Designing the capacity building system able to support the scaling up, at the national level, of the implementation process of the EU directives framework.

Part III: Public Awareness and Replication Strategy

Carrying out of public awareness activities at the local, river basin, national and regional levels, including workshops, field trips, study tours and other mass media events and products, to introduce the Project and its benefits, to promote improved rural sanitation in nitrate vulnerable zones and implementation of good agricultural practices, and to promote replication of the activities under the Project in other counties as well as in other Black Sea riparian countries and EU candidate countries.

Part IV: Project Management

Supporting the PMU in connection with Project implementation, monitoring, evaluation and impact assessment through the provision of: (i) funds for Incremental Operating Costs; and (ii) consultant and advisory services for the audits and for the monitoring and evaluation of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. The Borrower, through MESD, shall assign the responsibility for overall oversight of the Project to the Inter-Ministerial Committee for Application of the Nitrates Directive (ICA), and shall maintain said Committee during Project implementation.

B. (i) The Recipient, through MESD, shall maintain the PMU during Project implementation with adequate staffing and resources satisfactory to the Bank, and the PMU shall have overall responsibility for day to day implementation and management of the Project, including, but not limited to: (a) preparation of semi-annual work programs and implementation plans for Project implementation; (b) preparation of bidding and contract documents under the Project; (c) maintenance of the Project financial records and accounts and arranging for the audit thereof; (d) preparation of the Project Reports referred to in Section II.A of this Schedule; and (e) supervision of progress of Project implementation.

(ii) Not later than three (3) months after the Effectiveness Deadline, the Recipient, through MESD, shall hire, in addition to the key staff of the PMU, such specialists as required for effective implementation of the Project and as shall be reasonably determined by the Recipient and the Bank.

C. Not later than February 1, 2008, the Borrower, through the MESD, shall cause the first six (6) selected Water Basin Directorates to hire one or two staff to work on Project implementation at the regional level, in coordination with the PMU. Within the next six months, the remaining Water Basin Directorates shall hire one or two staff to work on Project implementation at the regional level, in coordination with the PMU.

D. The Recipient, through MESD, shall: (i) take all necessary measures to implement the Project in accordance with the Operational Manual and the EMP, and shall not amend, suspend, abrogate, repeal or waive any provisions of the Operational Manual and the EMP without prior approval of the Bank; (ii) ensure that all measures necessary under the EMP are carried out in a timely manner; and (iii) ensure that adequate information on the implementation of the EMP is suitably included in the Project Reports referred to in Section II.A of this Schedule.

E. For the purposes of implementation of Part I of the Project, the Recipient, through MESD and PMU, shall:

(i) select the Beneficiaries and Sub-projects based on the selection criteria set forth in the Operational Manual;
(ii) provide funds from the Grant proceeds to selected Beneficiaries for eligible Sub-projects on terms and conditions satisfactory to the Bank;

(iii) enter into contractual arrangements with Beneficiaries for provision of grants/loans for Sub-projects which shall set forth the terms and conditions for these funds, cost-sharing arrangements, environmental requirements and implementation arrangements; and

(iv) ensure that Sub-projects shall be implemented in accordance with the Operational Manual and the EMP.

F. Midterm Review

1. Not later than thirty (30) months after the Effectiveness Deadline, the Recipient, through the MESD, shall carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

(a) progress made in meeting the Project’s objectives; and

(b) overall Project performance against Project performance indicators.

2. The Recipient, through the MESD, shall prepare, and at least four (4) weeks prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

3. The Recipient, through the MESD, shall, not later than two (2) weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports; Completion Report

1. The Recipient, through MESD, 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 indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. 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 (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

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

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

3. The Recipient, through the MESD, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works 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 the provisions of this Schedule.

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 Schedule.

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

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding: civil works contracts estimated to cost less than EUR4,000,000 million each and goods contracts estimated to cost less than EUR800,000 each may be procured under the Borrower’s national laws and regulations, subject to the extent they were acceptable to the Bank.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) 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, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed-Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) 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 Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Grant in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocation 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</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants’ Services and Training under Part I of the Project</td>
<td>2,060,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Works, Consultants’ Services and Training under Part II of the Project</td>
<td>2,740,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Works, Consultants’ Services and Training under Part III of the Project</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Works, Consultants’ Services (including Audits), Incremental Operating Costs under Part IV of the Project</td>
<td>550,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,500,000</td>
<td></td>
</tr>
</tbody>
</table>
3. For the purpose of this Schedule:

(a) the term “Percentage of Expenditure to be Financed” means the maximum amount up to which the Eligible Expenditures may be financed out of the proceeds of the Grant;

(b) the term “Incremental Operating Costs” means the incremental operating costs incurred by MESD on account of Project implementation, comprising: office rent, rehabilitation and maintenance (including utilities) and supplies; fuel and vehicle maintenance, staff travel (field trips/per diem); bid advertisements, translation costs, communications, and banking charges; and

(c) the term “Training” means expenditures incurred on the account of the training activities under the Project and includes trainees' fees, transportation costs for trainees and trainers, per diem allowances for trainees and trainers and cost for translation, training materials and related supplies, rental of facilities and equipment.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement; and

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed USD one million and one hundred thousand (USD1,100,000) of the Grant amount may be made for payments made prior to this date but on or after September 17, 2007 for Eligible Expenditures under Categories (1) through (4); and

(c) for payments under a contract or Incremental Operating Costs which the Bank has financed or agreed to finance under the Loan Agreement.

2. The Closing Date is December 31, 2013.
APPENDIX

Definitions

1. “ANAR” means the National Administration “Apele Romane” of the Recipient, established pursuant to Government Emergency Ordinance No.107/2002, as amended as of the date of this Agreement, or any successor thereto.

2. “Beneficiary” means a communa, communa association, farm or farms association in one of the Selected Counties, eligible for a Sub-project in accordance with the eligibility criteria specified in the Operational Manual.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “EMP” means the Environmental Management Plan describing the environmental mitigation measures anticipated for investments under the Project and parties responsible for monitoring of construction and operational impacts.

6. “EU” means the European Union.


9. “GEF Grant” means a grant provided to the Recipient by the Bank, acting as an Implementing Agency of the Global Environment Facility for financing the Project, on terms and conditions set forth in the GEF Grant Agreement.

10. “GEF Grant Agreement” means the agreement between the Recipient and the Bank, acting as an Implementing Agency of the Global Environment Facility, for the Project, of the same date as the Loan Agreement, as such agreement may be amended from time to time. “GEF Grant Agreement” includes all appendices, schedules and agreements supplemental to the GEF Grant Agreement.

11. “ICA” means Inter-Ministerial Committee for Application of the EU Nitrates Directive established through the Inter-ministerial Order no.452/2001, as amended as of the date of this Agreement.
12. “MARD” means the Ministry of Agriculture and Rural Development of the Recipient, or any successor thereto.


14. “Operational Manual” means the manual describing procedures for implementation of the Project and including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; (ii) sample formats of interim un-audited financial reports and Project Reports; and (iii) eligibility criteria, selection procedures, terms and conditions and procurement arrangements for the provision of Sub-projects.

15. “PMU” means the Project Management Unit in MESD or any legal successor thereto satisfactory to the Bank.


17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 12, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

18. “Selected Counties” means the Arges county (Arges-Vedea river basin), Buzau county (Buzau-Ialomita river basin), Valcea county (Olt river basin), Iasi county (Prut-Barlad river basin), Bacau and Neamt counties (Siret river basin), Cluj county (Somes-Tisa river basin), Timis county (Banat river basin), Bihor county (Crisuri river basin), Mures county (Mures river basin) and Dolj county (Jiu river basin).

19. “Sub-project” means an activity or a group of activities referred to under Part I of Schedule I to this Agreement.