

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action  
for the Protection of the Arctic Marine Environment

1<sup>st</sup> Steering Committee Meeting

November 14-16, 2005

President Hotel, Moscow, the Russian Federation

## **REPORT**

### **of the first meeting of the Project Steering Committee**

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Prepared by:                      the Project Office

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# REPORT

## Introduction

The 1<sup>st</sup> meeting of the Steering Committee for the UNEP/GEF Project “Russian Federation - Support to the National Plan of Action for the Protection of the Arctic Marine Environment” took place in Moscow from 14 to 16 of November, 2005 in the President Hotel. The meeting was co-chaired by Deputy Minister of Economic Development and Trade of the Russian Federation Mr. Andrey Sharonov and Executive Director of UNEP Dr. Klaus Toepfer.

The meeting was attended by Deputy Chairman of the State Duma (Parliament) of the Russian Federation Mr. Arthur Chillingarov, Head of Committee on Northern Territories and Indigenous People of the Council of Federation of the Federal Assembly of the Russian Federation Mr. Gennady Oleynik, representatives of Ministry of Economic Development and Trade of the Russian Federation, Ministry of Natural Resources of the Russian Federation, Ministry of Foreign Affairs of the Russian Federation, Ministry of Regional Development of the Russian Federation, Federal Service on Hydrometeorology and Monitoring of Environment, Republic of Sakha (Yakutiya), Murmansk and Arkhangelsk oblasts, Nenetsky, Yamalo-Nenetsky, Khanty-Mansiysky and Chukotsky Autonomous Okrugs, RAIPON, JSC “Norisky Nickel”, oil companies “Rosneft” and “Lukoil”, representatives of the USA, Canada, Iceland, Norway, European Commission, UNEP, GPA Coordination Office, ACOPS, NEFCO, UNESCO, WWF. List of participants is given in Annex I to this report.

The meeting consisted of the following events:

- Consultative meeting of members and permanent participants of the Steering Committee meeting
- Official presentation of the Project followed by press-conference and discussion of the Project by major stakeholders
- Steering Committee meeting

The agenda of the meetings is attached as Annex II to the report.

## Consultative Meeting

The Consultative meeting of members and permanent participants was convened at the request of Dr. Klaus Toepfer, Executive Director of UNEP, who co-chaired the meeting together with Mr. Boris Morgunov, who represented an Executing Agency, Ministry of Economic Development and Trade of the Russian Federation. The meeting was opened at 10.00 hours on Monday, 14 November 2005

The primary goal of the meeting was to develop approaches to an integrated work plan for the 1<sup>st</sup> phase of the Project. Project Document, signed on July 18, 2005, provides detailed description of works to be financed by the GEF grant funds, amount of funds available for each activity, procedure of Project co-financing by the Russian Federation. Donor funds are defined in the Project Document for the whole amounts to be available during the project implementation without breakdown by years and components of the Project. Procedure of disbursement of donor's funds is not defined and is subject to approval at the 1<sup>st</sup> meeting of the Steering Committee. Funds provided by the Russian Federation (in-cash and in-kind) are defined for the whole Project and for its 1<sup>st</sup> phase however are not broken down for years and Project components.

Before the 1<sup>st</sup> meeting of the Project Steering Committee the Project Office had been established, tenders for Project Office staff have been completed, activity on obtaining tax-free status for the Project's special currency account is under control, all necessary documents are prepared and are ready to be sent to the corresponding governmental commission. Project Office prepared package of documents for the 1<sup>st</sup> meeting of the Steering Committee. List of these documents is given in Annex III.

In September 2005, two months before the beginning of the meeting the Executing Agency had two times sent a request to the donor countries asking them to provide their estimates on co-financing of components of the UNEP/GEF Project for the 1<sup>st</sup> phase of its implementation. As only a very limited feedback on this subject was achieved, the Project Office was not able to prepare an integrated working plan and a consolidated budget that included all sources of Project financing. Work Plan and budget for the 1<sup>st</sup> phase of the Project prepared by the Project Office was based only on GEF grant funds.

For facilitation of development of approaches to be agreed to on the integrated working plan the Project Office in co-operation with both Implementing and Executing Agencies prepared a concept note on donor funding and donor funded activities. This concept note is attached in Annex IV to this report.

ACOPS proposed to carry out Trans-Boundary Diagnostic Analysis that should go before development of the Strategic Action Programme (SAP).

It was emphasized that a lot of information is already accumulated on the state of the environment in the Arctic region, sources of pollution and ways of pollutant transfer. The sources of information are as follows: annual state reports on environmental protection in the Russian Federation; documents on NPA-Arctic; materials of federal and regional bodies of executive power of the Russian Federation; reports, prepared at the PDF-B stage of the Project; AMAP reports of 1997 and 2002 as well as other materials of the Arctic council; NEFCO studies for Barents Sea region; etc. All that disputed necessity of additional scientific studies prior to the development of the SAP. The meeting noted that it is necessary to avoid duplication of work that has already been carried out. It is important to analyse available information and to take it into account during the SAP development. The meeting agreed that the sufficient science and technical basis is

available for preparing the SAP. It merely needs a comprehensive analysis that would take into account the current situation and additional documentation, which will be received from administrations of the Arctic regions and industrial companies. Analysis of available information will require donor funds.

Executive Agency noted that for the preparation of the SAP the donor funds would be required for systematic organisation of the scientific and technical materials, the materials to be submitted by federal and regional authorities and industries and for additional comprehensive analysis of the materials collected at the PDF-B phase. These assessments can be made with attraction of the donor funds by means of creating teams of experts, extending working days of the consultants specified in the Project Document, entrusting the leading organisation – the SAP developer with the additional tasks and, if necessary, by carrying out pre-feasibility studies aimed at generalising and detailing of the data. Donor funds are requested also for two supplementary working groups that will deal with communications and mobilisation of stakeholders involved in the SAP development as well as with Strategic Environmental Assessment. In addition, simultaneously with SAP development, in order to mitigate risks on the SAP practical implementation, it is proposed to create a small working group that will deal with development of financial mechanisms for SAP implementation.

It was stressed that SAP is required to have a comprehensive analysis of economic implications of proposed actions to establish appropriate costs associated with the proposed action. This can be done through scientific and technical pre-feasibility studies for the actions included in the SAP.

Possible donor and the Russian Federation input for the 1<sup>st</sup> phase of the Project implementation have been also discussed. It was decided to continue discussion on these issues during the Steering Committee meeting.

**The meeting decided to create a small working group consisting of representatives of Executing and Implementing Agencies, Partner Organisations and Project Office that will work out proposals for development of an Integrated Work Plan during the Project Steering Committee meeting.**

## **Official presentation of the Project followed by press-conference and discussion of the Project by major stakeholders**

The official presentation of the Project took place at the special session and was co-chaired by Deputy Minister of Economic Development and Trade of the Russian Federation Mr. Andrey Sharonov and by Executive Director of UNEP Dr. Klaus Toepfer. Deputy Chairman of the State Duma Mr. Arthur Chilingarov also welcomed the Project. Assistant to the Minister of Economic Development and Trade of the Russian

Federation Mr. Boris Morgunov described the history of the Project and Project Manager Mr. Ivan Senchenya presented Project Components and main activities to be implemented. Official representatives of federal and regional authorities, RAIPON, companies of different form of ownership, representatives of other countries and international organisations participated in the discussion of the Project.

A press-conference with participation of Messrs. Andrey Sharonov, Klaus Toepfer, Arthur Chillingarov and Boris Morgunov took place after the presentation of the Project.

Special report on this event will be prepared by the Project Office and posted on the web-site of the Project [http://www.npaf.ru/new\\_project/index\\_eng.php?doc=arctica](http://www.npaf.ru/new_project/index_eng.php?doc=arctica) .

## **Steering Committee Meeting**

### **1. Steering Committee Panel**

In line with the Project Document Executive Agency, Implementing Agency, donors and Partner Agencies nominated their representatives in the Project Steering Committee. The Chairman of the Steering Committee is Mr. Andrey Sharonov, Deputy Minister of Economic Development and Trade of the Russian Federation. Official representatives (head of delegation) appointed by countries as members of the Project Steering Committee are as follows: Russia - Mr. Boris Morgunov; UNEP - Mr. Takehiro Nakamura; USA - Mr. Bill Freeman; Canada - Mr. Chris Cuddy; Iceland - Mr. Magnus Johannesson; Italy - Ms. Claudia Croce; GPA Secretariat - Ms. Veerle Vandeweerd. Member of the Project Steering Committee from IOC UNESCO is not nominated yet.

Partner Agencies nominated Mr. Timothy Turner (ACOPS) and Mr. Harro Pitkänen (NEFCO) as permanent participants. The Project Steering Committee agreed with proposal of RAIPON to include RAIPON's first vice-president Mr. Pavel Sulyandziga as permanent participant. It was agreed to invite the Arctic Council representative as observer.

Steering Committee Panel is listed in Annex V.

### **2. Agenda item 1. Adoption of the Agenda (STC 1/1)**

It was proposed and the meeting agreed to start with documents for which decisions can be taken preferably during the first day of the meeting. The discussion held at the Consultative meeting served as a basis for selection of the documents to be considered during the first day of the meeting. List of documents prepared by the Project Office for the Project Steering Committee meeting is given in Annex III.

Dr. Toepfer summarised the results of discussion held at the Consultative meeting and called the Project Steering Committee for necessary efforts for development of the Integrated Work Plan and Consolidated Budget that include all three sources of Project financing.

It was decided at the Consultative Meeting to create a small working group consisted of representatives of Executing and Implementing Agencies, Partner Organisations and Project Office, which will continue its work on working out the cooperative approach to the integrated working plan and consolidated budget. It was agreed to discuss these issues at the end of the meeting.

The Agenda was then adopted taking into account the above proposals (Annex II).

### **3. Agenda item 2. Terms of Reference for the Project Steering Committee (STC1/2)**

Main topics of discussion can be summarized as follows:

(a) It was proposed by UNEP to use wordings “*Project Steering Committee*” instead of “*Steering Committee*”. Meeting agreed with this proposal.

(b) Point 2. It was proposed by the USA to replace wording “is governed by” with “shall be consistent with” and the following edition of this item was then agreed:

*2. In its work, the Project Steering Committee shall be consistent with the Constitution of the Russian Federation, laws of the Russian Federation, decrees and resolutions of the President of the Russian Federation, acts and resolutions of the Government of the Russian Federation, UNEP/GEF rules and guidelines and the approved Project Document.*

(c) Point 3. It was proposed to delete word “*investment*” in bullets 3,4 and 8.

(d) It was proposed to add the following sentence in point 4: “A high level representative of the Implementing Agency (UNEP) may be invited to act as co-chair of the Project Steering Committee” and the following edition of this item was then agreed:

*4. The Project Steering Committee has three categories of participation: full member, permanent participant and observer. A high-level representative of the Executing Agency (Mineconomrazvitiya of Russia) shall chair the Project Steering Committee. A high level representative of the Implementing Agency (UNEP) may be invited to act as co-chair of the Project Steering Committee meeting.*

(e) RAIPON has been invited to be a permanent participant and the Arctic Council has been invited as an observer. The following edition for this item was then agreed.

*6. Following representatives are full members of the Project Steering Committee: Executing Agency, Implementing Agency, USA, Canada, Italy, Iceland, GPA Secretariat, and IOC of UNESCO. Partner Agencies and RAIPON are the permanent participants. NEFCO will have a full member status when acting as a donor. EBRD, NDEP and Arctic Council are invited as observers. Other observers can also be invited to the meetings by the Steering Committee.*

(f) The following edition for item 9 was proposed and the meeting agreed with proposed wordings:

*9. The Project Steering Committee meetings will be held at least once every year. The Project Steering Committee may hold an extraordinary meeting as needed. The Project Steering Committee is considered capable if more than 50% of full members participate in the meeting.*

(g) It was proposed to add a new point 10 in the following wording:

*10. The Project Steering Committee may decide to take its decisions through written communications as it deems practicable.*

Meeting agreed with proposed wording.

(h) It was proposed to add a new point 13 as it given below:

*13. Project Office shall send to full members and permanent participants of the Project Steering Committee reports on the Project Steering Committee meetings as well as information on the Project Implementation in a timely manner. Reports on Project Steering Committee meetings shall be circulated within a month after the meeting and reports on Project implementation shall be distributed by the Project Office on a quarterly basis.*

**The content of the final document was agreed following a lengthy discussion and final results of these discussions are presented below as Annex VI.**

#### **4. Agenda item 3. Terms of Reference for the Project Supervisory Council (STC1/3)**

Main topics of discussion can be summarized as follows:

(a) It was proposed and meeting agreed that corrections made for document STC 1/2 described in items (a) – (c) above should be also valid for the Terms of Reference for the Supervisory Council.

(b) It was proposed by Iceland to combine points 2 and 5 of initial document and the following wording was agreed by the meeting:

*2. The Project Supervisory Council consists of representatives of Executing Agency, Implementing Agency and Partner Agencies. The donors may participate or may be represented at the Project Supervisory Council by their chosen Partner agencies. Each Agency will appoint its official representative to the Council. RAIPON will be invited to work in the Project Supervisory Council. The Council is chaired by Executing Agency and Implementing Agency in turn.*

(c) The discussion continued on possible size of the Project Supervisory Council. The meeting further concluded that it is necessary to limit the membership of the Project Supervisory Council as it is prescribed in the Project Document to make it more practical.

**The content of the final document was agreed following a discussion and final results of these discussions are presented as Annex VII.**

#### **5. Agenda item 4. Work Plan for 2005**

Project Manager presented the draft of the Work Plan for 2005. He mentioned that the Work Plan is concentrated on establishment of the fully functioning Project Office, development of the documents for the 1<sup>st</sup> Project Steering Committee meeting and



preparation of necessary documentation to start the Project implementation just after the Project Steering Committee meeting on a basis of adopted decisions.

The Project Steering Committee concurred that the work plan for 2005, as drafted, is appropriate.

**The adopted Work Plan for 2005 is reproduced in Annex VIII.**

## **6. Agenda item 5. Budget for 2005**

Project Manager presented the draft of the Budget for 2005. He noted that budget for 2005 is prepared in line with authorizations issued by UNEP and informed that due to delay with extensive work on project implementation total savings for 2005 in comparison with the budget indicated in the Project document amounted to US\$ 318.6K including savings for almost all budget lines. It was proposed to reallocate the savings of 2005 in amount US\$ 240.6K into the budget of 2006. It was also proposed to eliminate budget line 5400 – Hospitality.

It was proposed by the Project Office to allocate the remaining amounts as follows:

- Increase financing for line 5302 – Information services – up to US\$10.0K (by US\$2.6) for 2006;
- Increase man-month load for Russian consultants for 2006 (with the same level of remuneration fee):
  - Lines 1208 – 1211 Russian consultants (TT) for 1 month (increase of expenditures by US\$13.2K)
  - Lines 1212 – 1213 Russian consultants (TT) for 2 months (by US\$10.4K)
  - Line 1214 Lead Russian consultant (WG-1) for 4 months (by US\$15.6K)
  - Line 1215 Russian consultant (WG-1) for 2 months (by US\$6.6K)
  - Line 1216 Russian consultant (WG-1) for 3 months (by US\$9.9K)
  - Line 1217 Lead Russian consultant (WG-1) for 3 months (by US\$11.7K)
  - Lines 1218-1219 Russian consultants (WG-2) for 2 months (by US\$13.2K)

It is proposed to combine lines 2201 and 2202 – subcontract with organization and to conclude a contract with one organization in amount of US\$28.5K)

Project Manager also informed that input of the Russian Federation in 2005 consists of US\$28.6 K (80 sq. m. office space, communication services and equipment at initial stage of the Project).

It was proposed to delete PDF-B cost from the budget for 2005. The Project Steering Committee concurred that the budget for 2005, as drafted, is appropriate.

**The adopted budget for 2005 is reproduced in Annex IX.**

## **7. Agenda item 6. Procurement Guidelines for UNEP/GEF Project NPA Arctic**

Project Manager presented the draft of the Procurement Guidelines and informed that the Guidelines are prepared in accordance with requirements of the regulation of the Russian Federation on a basis of UNDP's and other UN institutions Procurement Guidelines. In the process of the document preparation the Project Office has had consultations with professional procurement specialists. He also mentioned that SAP development for Arctic region is a very specific activity and a number of well-recognised specialists are quite limited. There is no need to organise special bid to procure consulting services for the SAP development especially taking into account time constrains for the beginning of the project implementation. A special Annex to the Procurement Guidelines was provided with a procedure on procurement of consulting services on a basis of "single source". Project Office after getting approvals from both the Executing Agency and Implementing Agency can apply this procedure for selection of Russian and international consultants for other Project components if necessary.

UNEP proposed to insert at the end of introductory paragraph of the Guidelines the following:

*The Guidelines apply to the entities referred below in accordance with their respective financial rules and regulations.*

*It was also proposed to remove last paragraph of section 6.1 (In a case the work of international company has been carried out using donors funds, which have not been transferred to the special account of the Project Office, payments for these works are carrying out from the corresponding Trust Fund. A letter issued by the Project Office to the Partner Organisation with copies to Implementing and Executing Agencies on acceptance of works (as a whole or in part) carried out according to the contract serves as a basis for payment. The letter should be signed by the Project Manager and Project Financial Manager).*

The Project Steering Committee concurred that the Procurement Guidelines, with the above changes, are appropriate.

**The content of the final document was agreed following a discussion and final results of these discussions are presented below as Annex X.**

## **8. Agenda item 7. Procedure of Disbursement of Donor Funds Channelled to the Special Currency Account of the Project Office and Relevant Reporting**

Project Manager informed that this procedure describes the disbursement and relevant reporting procedure for donor funds transferred directly to the Project Office account. The procedure is developed in line with the Project Document.

No questions and comments were raised under this agenda item.

The Project Steering Committee concurred that the procedure, as proposed, is appropriate.

**The adopted “Procedure of Disbursement of Donor Funds Channelled to the Special Currency Account of the Project Office and Relevant Reporting” is reproduced in Annex XI.**

#### **9. Agenda item 8. Procedure of Disbursement of Donor Funds from the Trust Funds and Relevant Reporting**

In line with the Project Document the procedure of Disbursement of Donor Funds from the Trust Funds and Relevant Reporting should be approved at the 1<sup>st</sup> meeting of the Project Steering Committee. The Project Office drafted this procedure and presented it for consideration of the Project Steering Committee.

Following a lengthy discussion a decision was taken to create a working group consisting of donors to improve the document. A document prepared by this working group was a subject of further discussion. The Execution Agency expressed its concerns that the document prepared did not address to a full extent all the issues that can appear in the process of disbursement of the donor funds accumulated in the Trust Funds established by the Partner Agencies. In particular, the document does not contain a description of procedure of disbursement of funds from the trust funds in a case when funds are channeled from the trust funds to special currency account of the Project as well as for a case when donor funds accumulated in trust funds are disbursed by Partner Organizations.

No consensus was reached on this item and meeting agreed that decision on this document would be taken through written communications with members of the Project Steering Committee. NEFCO and ACOPS will also prepare their proposals on this procedure.

#### **10. Agenda item 9. Working Plan for the First Phase of the Project**

Project Office presented the draft of the Working Plan for the 1<sup>st</sup> phase of the Project which took into account only GEF funds because of absence of data from donors.

During the Project Steering Committee meeting a temporary working group was working out approaches for preparation of the integrated working plan (IWP) based on three sources of funds. A draft of an IWP for next three-months was presented that should serve as a basis for preparation of IWP for the 1<sup>st</sup> phase of the Project. Main activities to be implemented during next three months are an expedite formation of the Task Team (TT) for SAP, Working Group (WG) for PINS and Working Groups for three demonstration projects. These TT and WGs should the IWPs for corresponding components of the Project. Project Office will integrate Components IWPs into the IWP for the 1<sup>st</sup> phase of the Project.

A guidance document should be used for the IWP development. This guidance document should be prepared by the Project Office together with Partner Organizations in tight timeframes. The draft of the guidance document should be considered by both Implementing and Executing Agencies and after which this document should be presented for approval of the Project Supervisory Council. A prerequisite for the IWP development is information from donors and Russia on amount of funds available for the implementation of the three-months IWP and for Project Component for the whole 1<sup>st</sup> phase of the Project. Donors requested two weeks for their decisions. Russia could define the amount of funds available only after approval of the federal budget for 2006. However draft estimates of available funds would be possible in short time.

It was also noted that linkages between Project Components should be taken into account in the process of the IWP development. UNEP presented its vision of these linkages.

The content of the three-month IWP was not agreed following a lengthy discussion. However general approach, planned activities, expected outputs (with the except of two points) and timeframes were approved. Executing Agency insisted on full agreement with the Project Document in the IWP when it describes responsibility as well as on clarifying the wording with regard to international consultants which should participate in the Task Team for SAP development as well as Working Group on pre-investment studies. Canada proposed to clarify the wording in the next-to-last point of the three-months IWP dealing with integration of working plans for Project Components into the Project 1<sup>st</sup> phase IWP.

It was decided that this Three-Month Integrated Work Plan would be considered at the Project Supervisory Council meeting on December 16, 2005 and will be sent to the Project Steering Committee members for approval by means of written communications (by e-mail). It cannot be ruled out that adoption of the IWP for the 1<sup>st</sup> phase of the Project would require an extraordinary meeting of the Project Steering Committee during the springtime of 2006.

#### **11. Agenda item 10. Budget for the First Phase of the Project**

No consensus was reached on this item and meeting agreed that decision on this document would be taken through written communications with members of the Project Steering Committee on a basis of the Integrated Working Plan or if needed, at the extraordinary meeting of the Project Steering Committee.

#### **12. Agenda item 11. Other business**

No matters were raised under this agenda item.

#### **13. Agenda item 12. Closure**

Following an expression of thanks to the participants for their attendance and contribution to the meeting by the co-chairman Mr. Tveitdal in his closing statement, Mr. Morgunov expressed his thanks to all members of the Project Steering Committee meeting for their active participation. In particular, he thanked Dr. Klaus Toepfer for his most constructive assistance in the Project development, donor country representatives, colleagues from UNEP for their constructive work during the Project Steering Committee meeting; colleagues from the Russian Federation for their assistance during meeting.

The meeting was closed by the Chairman at 18:30 hours on 16 November 2005.

# LIST OF PARTICIPANTS

## ACOPS

### **Timothy Turner**

11 Dartmouth Street  
London, SW1H 9BN  
Tel: +44 (0) 207 799 3033  
Fax: +44 (0) 207 799 2933  
E-mail: [trturner@btinternet.com](mailto:trturner@btinternet.com)

### **Anatoly Pichugin**

Technical Advisor  
ACOPS  
Tel.: (095) 787-11-77  
E-mail: [pichuginaa@fastmail.fm](mailto:pichuginaa@fastmail.fm)  
[anatoly.pichugin@tethysconsultants.com](mailto:anatoly.pichugin@tethysconsultants.com)

### **Vitaly Lystsov**

Member of Advisory Board on Pollution  
Control and Prevention  
Chairman of Arctic Working Group in the  
Russian Federation  
RRC "Kurchatov Institute"  
Kurchatov Sq. 1  
123182 Moscow, Russia  
Tel.: +007 095 196 7151, (196 63 28)  
Fax: +007 095 196 86 79  
E-mail: [vitalil@pike.pike.ru](mailto:vitalil@pike.pike.ru)

## CANADA

### **Chris Cuddy**

Chief  
Lands & Waters  
Indian and Northern Affairs Canada –  
Headquarters  
Tel.: 819-994-7483  
E-mail: [cuddyc@ainc-inac.gc.ca](mailto:cuddyc@ainc-inac.gc.ca)

### **Brian Ebel**

Second Secretary  
Embassy of Canada  
23 Starokonyushenny Per., Moscow,  
119002 Russia  
Tel.: +7 (095) 105-6022,  
Fax: +7 (095) 105-6024  
E-mail: [brian.ebel@international.gc.ca](mailto:brian.ebel@international.gc.ca)

## DELEGATION OF THE EUROPEAN COMMISSION TO RUSSIA

### **Jean-Louis Lavroff**

Head of Section Science & Technology,  
Transport, Energy and Environment  
Delegation of the European Commission to  
Russia

Kadashevskaya nab. 14/1  
109017 Moscow, Russia  
Tel: +7 095 721 2038  
Fax: +7 095 721 2020  
[Jean-Louis.Lavroff@cec.eu.int](mailto:Jean-Louis.Lavroff@cec.eu.int)

## ICELAND

### **Magnús Jóhannesson**

Secretary General  
Ministry for the Environment  
Skuggasund 1, 150 Reykjavík, Iceland

Tel: +354-545-8600, fax +354-562-4566  
[www.raduneyti.is](http://www.raduneyti.is) / [www.government.is](http://www.government.is)  
E-mail: [magnus.johannesson@umh.stjr.is](mailto:magnus.johannesson@umh.stjr.is)

## NEFCO

### **Harro Pitkänen**

NEFCO Managing Director  
Fabianinkatu 34 P.O Box 249  
FIN-00171 Helsinki, Finland

Tel. +358 9 18001 / 1800344

Fax +358 9 630 976

E-mail [Harro.Pitkanen@nefco.fi](mailto:Harro.Pitkanen@nefco.fi)

## NORWAY

### **Jan Thompson**

Councillor for Energy and Environment  
the Norway Embassy in Moscow  
7, Povarskaya str., Moscow, Russia

Tel.: (095) 933-1410

Fax: (095) 933-1411

E-mail: [Jan.Torjus.Thompson@mfa.no](mailto:Jan.Torjus.Thompson@mfa.no)

## RUSSIA

### **Andrey B. Sharonov**

Deputy Minister  
Minekonomrazvitiya of Russia  
1.3, 1-Tverskaya-Jamskaya Str.,  
125993, Moscow  
Tel. (095) 209-8479, 209-8138  
[charonov@economy.gov.ru](mailto:charonov@economy.gov.ru)

### **Boris Morgunov**

Assistant of the Minister  
Minekonomrazvitiya of Russia  
1.3, 1-Tverskaya-Jamskaya Str.,  
125993, Moscow  
Tel.: (095) 209 85 25  
Fax: (095) 209 84 58  
E-mail: [morgunovba@economy.gov.ru](mailto:morgunovba@economy.gov.ru)

### **Artur N. Chilingarov**

Vice-Chairman  
The State Duma of the Russian Federation  
1, Okhotny Ryad, 103265 Moscow  
Tel.: (095) 692 76 50

### **Yuri Tsaturov**

Special Assistant to the Head of Federal  
Service for Hydrometeorology and  
Environmental Monitoring (Roshydromet)  
12, Novovagan'kovsky Street,  
123995, Moscow  
Tel.: (095) 252-2429  
Fax: (095) 255-2400  
E-mail: [tsaturov@mecom.ru](mailto:tsaturov@mecom.ru)

### **Pavel Sulyandziga**

First vice-president  
RAIPON  
Member (2005-2007), Russia and  
Regional Representative in United Nations  
Permanent Forum on Indigenous People  
P.O. Box 110 Moscow, Russia 119415  
Tel.: +7 095 780 8727  
Fax: +7 095 780 8727  
e-mail: [psulandziga@mail.ru](mailto:psulandziga@mail.ru)

### **Boris Melnikov**

Senior research scientist  
All Russian scientific and coordination  
centre «Sever» of Minekonomrazvitiya of  
Russia  
Tel./Fax: (095) 209 84 58  
E-mail: [Melnikov@economy.gov.ru](mailto:Melnikov@economy.gov.ru)

### **Irina Degtyar**

Deputy Head Representative Chukchi  
Autonomous Region,  
4, Kursovoy Pereulok, 119034, Moscow,  
Tel./Fax: (095) 502 9730  
E-mail: [IrinaD@chukotka.org](mailto:IrinaD@chukotka.org)

### **Vladimir K. Engelsberg**

Vice President  
Joint-stock company "NORILSK NIKEL"  
13, Tverskoy Bulvar, 103867, Moscow  
Tel.: (095) 787 76 67  
Fax: (095) 787 58 08

**Sergey Efishov**

Minekonomrazvitiya of Russia  
1.3, 1-Tverskaya-Jamskaya Str.,  
125993, Moscow  
Tel./Fax: (095) 209 83 39

**Vladimir Gruzinov**

Assistant to Deputy Chairman  
The State Duma of the Russian Federation  
1, Okhotny Ryad, 103265 Moscow  
Tel.: (095) 692 71 43

**Sofia Khasieva**

Consultant  
Ministry of Regional Development of the  
Russian Federation,  
Bld.1, 10/23 Sadovaya-Samotechnaya  
Str., 127994, Moscow, Russia  
Tel.: (095) 980 25 49+ 22 015  
E-mail: Sofia.Khasieva@minregion.ru

**Olga Morozova**

Main specialist  
Department State Environmental Policy  
Ministry of Natural Resources of the  
Russian Federation  
4/6 Bolshaya Gruzinskaya Str.,  
123995 Moscow  
Tel. (095) 124 61 13  
Fax: (095) 129 17 63

**Gennadiy Oleynik**

Head of Committee on Northern  
Territories and Indigenous People  
The Council of Federation of the Federal  
Assembly of the Russian Federation  
26, B. Dmitrovka, 103426, Moscow,  
Tel.: 692-68-45, 986-68-46  
E-mail: [GDOleynik@council.gov.ru](mailto:GDOleynik@council.gov.ru)

**Igor Pisarev**

Deputy Head,  
Environmental Department  
JSC "NORILSKY NIKEL"  
13,Tverskoy Bulvar, 103867, Moscow  
Tel./Fax: (095) 797 8203  
E-mail: [pisarevid@normik.ru](mailto:pisarevid@normik.ru)

**Irina Gorkina**

National Pollution Abatement Facility  
Deputy General Director  
19, Leninsky Prospekt, 119991 Moscow  
Tel./Fax: (095) 955 31 14,  
(095) 730 40 97  
E-mail: [gorkina@npaf.ru](mailto:gorkina@npaf.ru)

**Larisa I. Janchik**

Centre of clean production and sustainable  
development  
office 203, bld.28, 14 Vilgelm Pik Str.  
129226, Moscow  
Tel.: (095) 363 35 70, (095) 741 48 11  
E-mail: [edcentcp@deol.ru](mailto:edcentcp@deol.ru)

**Yury Maksimenko**

General Director  
National Pollution Abatement Facility  
19, Leninsky Prospekt,  
119991 Moscow,  
Tel./Fax: (095) 955 31 14, (095) 730 40 97  
E-mail: [maksimenko@npaf.ru](mailto:maksimenko@npaf.ru)

**Elena Nikolaeva**

Ministry of Regional Development  
of the Russian Federation  
Bld.1, 10/23 Sadovaya-Samotechnaya  
Str., 127994, Moscow, Russia  
Tel.: (095) 200 15 55  
Fax: (095) 299-38-41

**Sergey Pikunov**

Head Environmental Department  
Khanty-Mansi Autonomous Region  
Apt. 810, 2 Studencheskaya Str.,  
628012 Russia  
Tel.: (34-671) 2 63 14, (34-671) 5 30 70,  
(90 281) 4 03 23  
Fax: (34-671) 2 62 96

**Svetlana Samsonova**

Representative of the Government  
of the Republic of Sakha (Yakutia),  
3/26, Miasnitsky proezd, 107078  
Moscow,  
Tel.: (095) 924 31 18. (095) 923-1097  
E-mail: [postpred@msk.ru](mailto:postpred@msk.ru)



**Olga Serkina**

Representative of the Yamalo-Nenets  
Autonomous Region  
Bld. 3, 15 Arhangelsky per. 101000  
Moscow, Russia  
Tel.: (095) 923 49 84, (095) 924-6789

**Alexander Startsev**

Assistant to Chairman of Committee on  
Ecology  
The State Duma of the Russian  
Federation  
1, Okhotny Ryad, 103265 Moscow  
Tel.: (095) 692 16 08  
Tel./Fax 812 764 75 75

**Evgeni Soldatkin**

Chief of Division  
Minekonomrazvitiya of Russia  
1.3, 1-Tverskaya-Jamskaya Str.,  
125993, Moscow  
Tel.: (095) 291-6116  
Fax: (095) 203-2373  
E-mail [soldatkin@economy.gov.ru](mailto:soldatkin@economy.gov.ru)

**Olga Shilkina**

Adviser  
Section of natural resources economy  
Minekonomrazvitiya of Russia  
1.3, 1-Tverskaya-Jamskaya Str.,  
125993, Moscow, Russia  
Tel.: (095) 209 83 39

**Olga Timoshina**

Head of Environmental Safety Group  
JSC "ROSNEFT"  
26/1 Sofiyskaya nab. 115998, r.  
Moscow, Russia  
Tel.: (095) 777 44 58  
Fax: 777-4444  
[postman@rosneft.ru](mailto:postman@rosneft.ru)

**Dmitry Chumakov**

Executive secretary of the Arctic Council  
Ministry of Foreign Affairs of Russia  
Tel.: (095) 244 30 96, 244 1088

**Tatiana Serikh**

WWF  
19-3 Nikoloyamskaya Str.,  
109240 Moscow  
Tel.: (095) 727 09 37, (095) 09 39  
Fax: (095) 727 09 38  
E-mail: [russia@wwf.ru](mailto:russia@wwf.ru)

**Yuri Sychev**

Assistant to Deputy Chairman  
The State Duma of the Russian  
Federation  
1, Okhotny Ryad, 103265 Moscow,  
Russia  
Tel. (095) 292 7143, (095) 292 3090  
Fax: (095) 292 76 50  
E-mail: [sychev@polarf.ru](mailto:sychev@polarf.ru)

**Evgeny Shvarts**

Director, Environmental Policy WWF  
19-3 Nikoloyamskaya Str.,  
109240 Moscow  
Tel.: (095) 727 09 37, (095) 09 39  
Fax: (095) 727 09 38  
E-mail: [russia@wwf.ru](mailto:russia@wwf.ru)

**Rodion Sulyandziga**

Director  
Centre for Support of Indigenous People  
of the North, Russian Indigenous Training  
Centre  
P.O. Box 110 Moscow, Russia 119415  
Tel./Fax: +7 095 780 8727  
E-mail: [ritc@mail.ru](mailto:ritc@mail.ru)

**Anatoly Voronkov**

Adviser to Deputy Head of Moscow  
Representation of Administration of  
Arkhangelsk Region  
Tel.: (095) 299-7486, 299-6862  
Fax: (095) 209 4594  
Office 222, M. Dmitrovka, 3/10, 103098,  
Moscow, Russia  
Tel.: (818-2) 65 30 41, (818-2) 65 31 02  
Fax: (818-2) 43 21 12  
E-mail: [arxpred@rambler.ru](mailto:arxpred@rambler.ru)  
Fax: (095) 244 17 97  
E-mail: [ac-chair@mid.ru](mailto:ac-chair@mid.ru)  
[www.arctic-council.org](http://www.arctic-council.org)

## UNEP

### **Klaus Toepfer**

Executive Director  
P. O. Box 30552,  
Nairobi, Kenya  
Tel. (254-20) 623386  
Fax: (254-20) 624275/217119  
E-mail: [klaus.toepfer@unep.org](mailto:klaus.toepfer@unep.org)

### **Paul Akiwumi**

Chief, Office of the Director – General  
United Nation Office at Nairobi  
P.O. Box 67578 Nairobi, Kenya, 00200  
Tel.: 254-20 623177  
Fax: 254-20 624681  
E-mail: [paul.akiwumi@unon.org](mailto:paul.akiwumi@unon.org)

### **Martina Otto**

Assistant to Executive Director  
P. O. Box 30552,  
Nairobi, Kenya  
Tel. (254-20) 623386  
Fax: (254-20) 624275/217119  
E-mail: [martina.otto@unep.org](mailto:martina.otto@unep.org)

### **Alexander Gudyma**

Head of UNEP Moscow Office  
28, Ostozhenka, 119034 Moscow,  
Russia

### **Takehiro Nakamura**

Project Manager Officer  
International Waters  
Division of GEF Coordination  
United Nations Environment Programme  
P.O. Box 30552, 00100, Nairobi, Kenya  
Tel.: +254 (20) 623886  
Fax: +254 (20) 624041 / 42  
E-mail: [Takehiro.Nakamura@unep.org](mailto:Takehiro.Nakamura@unep.org)

### **Svein Tveitdal**

(representative of GPA Coordination  
Office at the meeting)  
Special Adviser to the Executive Director  
Polar/Nordic Issues  
4808 Arendal, Norway  
Tel.: + 4737 03 56 50  
Fax: + 4737 03 50 50  
E-mail: [svein.tveitdal@mail.unep.no](mailto:svein.tveitdal@mail.unep.no)

### **Masa Nagai**

Senior Programme Officer (Governance  
and Law)  
Division of Policy Development and Law  
Division Office  
P.O. Box 47074, Nairobi, Kenya  
Tel.: (254-20) 62 3493  
Fax: (254-20) 62 4324  
E-mail: [Masa.Nagai@unep.org](mailto:Masa.Nagai@unep.org)

Tel.: (095) 787-2156

Fax:(095) 787-7763

E-mail: [gudyma.unep@undp.ru](mailto:gudyma.unep@undp.ru)

## USA

### **William Freeman**

Environment Protection Agency  
NIS Director  
Office of International Affairs  
1200 Pennsylvania Avenue, NW  
(2650R)  
Tel. (202) 564-6406  
Fax (202) 565-2412  
E-mail: [freeman.bill@epa.gov](mailto:freeman.bill@epa.gov)

### **Elizabeth S. McLanahan**

NOAA  
International Affairs Specialist  
Office of International Affairs  
14th and Constitution, NW, Room 6228  
Washington, DC 20230USA  
Tel: 1 202 482 5140  
Fax: 1 202 482 4307  
Email: [Elizabeth.McLanahan@noaa.gov](mailto:Elizabeth.McLanahan@noaa.gov)

**Robert Dyer**

Environment Protection Agency  
Arctic Council Action Plan (ACAP)  
Program Chairman  
Office of International Affairs  
Ronald Reagan Bldg., 3<sup>rd</sup> Floor  
1300 Pennsylvania Avenue, NW  
Washington, D.C. 200004  
Tel. (202) 564-6113 Fax (202) 565-2409  
E-mail: [dyer.bob@epa.gov](mailto:dyer.bob@epa.gov)

**Eleonora Barnes**

Environment Protection Agency,  
Office of International Affairs  
Ronald Reagan Bldg., 3<sup>rd</sup> Floor  
1300 Pennsylvania Avenue, NW  
Washington, D.C. 200004  
E-mail: [Barnes.Eleonora@epa.gov](mailto:Barnes.Eleonora@epa.gov)

**UNESCO MOSCOW OFFICE****Anastasiya Mokhrova**

Program Specialist  
UNESCO Moscow Office  
1, Mitnaya str., Moscow 119049 Russia  
Tel.: (095) 230 05 54  
Fax: (095) 238 60 85  
E-mail: [moscow@unesco.ru](mailto:moscow@unesco.ru)

**Marie Prchalova**

Programme Specialist for Science  
UNESCO Moscow Office  
Mytnaya str., 1 entrance 1, 11<sup>th</sup> floor  
119049 Moscow, Russia  
Tel.: +7 (095) 230-0554,  
230-1065, 230-0643  
Fax: +7 (095) 238-6085  
E-mail: [m.prchalova@unesco.ru](mailto:m.prchalova@unesco.ru)

**PROJECT OFFICE****Ivan Senchenya**

Project Manager,  
NPA-Arctic  
National Pollution Abatement Facility  
19 Leninsky prospect,  
Moscow 119991  
Tel./fax: +7 095 7304097, 9553114,  
9553468; mobile +7 095 7234680  
E-mail: [senchenya@npaf.ru](mailto:senchenya@npaf.ru),  
[I\\_Senchenya@mail.ru](mailto:I_Senchenya@mail.ru)

**Sergey Tambiev**

NPA-Arctic  
Deputy Project Manager  
Tel./Fax: (095) 730-4097, 955-3114  
E-mail: [tambiev@npaf.ru](mailto:tambiev@npaf.ru)

**Galina Zaitseva**

NPA-Arctic  
Project Financial Manager Officer  
Tel./Fax: (095) 730-4097, 955-3114  
E-mail: [za@npaf.ru](mailto:za@npaf.ru)

**Nadezhda Korosteleva**

NPA-Arctic  
Deputy Project Financial  
Manager Officer  
Tel./Fax: (095) 730-4097, 955-3114  
E-mail: [npaf@npaf.ru](mailto:npaf@npaf.ru)

**Larisa Anashkina**

NPA-Arctic, Secretary

Tel./Fax: (095) 955-3468, 955-3114  
E-mail: [npaf@npaf.ru](mailto:npaf@npaf.ru), [anashkina@npaf.ru](mailto:anashkina@npaf.ru)

**MASS MEDIA REPRESENTATIVES**

Anna Martinova – Interfax

Olga Mikheenkova – RBC

Dilyara Sayfutdinova – Prime-TASS

Andrey Golubkov – ITAR-TASS

Yliya Rakhvalova – AKM

Evgenia Babitdinova – Finmarket

Larisa Akhanova – RBC-TV

Ilya Turbin – RBC-TV

Andrey Doronin – IA Panorama

Oleg Glazunov – Rossiyskaya Gaseta

Galina Voronchenkova – press service of  
Minekonomrazvitiya of Russia

Ksenya Brazhnikova – press service of  
Minekonomrazvitiya of Russia

Natalya Kudryavchenko – press service of  
Minekonomrazvitiya of Russia

Mikhail Scherbakov – ITAR-TASS

Alexey Lugovskih – ITAR-TASS

Pavel Potapov – ITAR-TASS

## **INTERPRETERS**

### **Ekaterina Panshina**

Interpreter

Tel.: (095) 135 87 90

### **Julya Surikova**

Interpreter

Institute of Organic Chemistry of Russian  
Academy of Sciences

Tel.: (095) 135 87 90

STEERING COMMITTEE

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action  
for the Protection of the Arctic Marine Environment

First Meeting

Moscow, Russian Federation  
November 14-16, 2005

STC 1/1

## **Item 1**

### **Agenda of the Meeting**

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Monday, November 14, 2005, 10.00 – 18.00

**Consultative Meeting and Official Presentation of UNEP/GEF Project  
“Russian Federation: Support to the National Programme of Action  
for the Protection of the Arctic Marine Environment”**

**Conference hall “Library”, President Hotel, 24 Bolshaya Yakimanka, Moscow**

**Consultative meeting**

10.00– 11.30	Consultative meeting
11.30 – 12.00	Coffee-break
12.00 – 13.30	Consultative meeting
13.30 – 14.30	Lunch

**Official Presentation**

15.00 – 15.05	Opening Ceremony
15.05 – 15.10	Welcome note by Andrey V. Sharonov, Deputy Minister of Economic Development and Trade of the Russian Federation
15.10 – 15.25	Welcome note by Dr. Klaus Töpfer, Executive Director of United Nations Environment Programme, UN Under-Secretary-General
15.25 – 15.35	Welcome note by Arthur Chilingarov, Vice Chairman of the Russian State Duma (Parliament)
15.35 – 15.50	Presentation by Boris A. Morgunov, Assistant to Minister of Economic Development and Trade of the Russian Federation
15.50 – 16.15	Presentation of UNEP/GEF Project by Ivan N. Senchenya, Project Manager
16.15 – 16.45	Coffee-break Press-conference
16.45 – 18.00	Addresses by Project Participants and Representatives of Other Stakeholders (Donors, Partner Agencies, Representatives of Federal and Regional Authorities, RAIPON, NGOs and Others)
18.00 – 19.00	Welcome Reception

**November 15-16, 2005, 10.00-18.00**

**Blue Boardroom (Tuesday, November 15, 2005) and Moskovsky Hall (Wednesday, November 16, 2005), President hotel, 24 Bolshaya Yakimanka, Moscow**

**Meeting of the Project Steering Committee**

Opening

Adoption of Agenda

Terms of Reference of the Steering Committee

Terms of Reference of the Supervisory Council

Work plan for 2005

Budget for 2005

Guidelines for Procurement of Consulting and Related Services, Goods and Works by the Project Office

Procedure of Disbursement of Donors' Funds Channeled to the Special Currency Account of the Project Office and Relevant Reporting

Procedure of Disbursement of Donors' Funds from the Trust Funds and Relevant Reporting

Work plan for 1<sup>st</sup> Phase of the Project

Budget for 1<sup>st</sup> Phase of the Project

Discussion and agreeing of decisions of the Steering Committee on considered documents

Any other businesses

Closing

## **List of Documents Prepared to the 1<sup>st</sup> Steering Committee Meeting**

**(in order they were considered at the meeting)**

<b>№</b>	<b>Code</b>	<b>Title</b>	<b>Submitted by</b>
1.	STC 1/1	Provisional agenda with timetable	Project Office
2.	STC 1/2	Terms of Reference of the Project Steering Committee	Project Office
3.	STC 1/3	Terms of Reference of the Project Supervision Council	Project Office
4.	STC 1/4	Work plan for 2005	Project Office
5.	STC 1/9	Budget for 2005	Project Office
6.	STC 1/6	Procurement Guidelines for GEF/UNEP Project NPA Arctic	Project Office
7.	STC 1/7	Procedure of Disbursement of Donor Funds Channeled to the Special Account of the Project Office and Relevant Reporting	Project Office
8.	STC 1/8	Procedure of Disbursement of Donor Funds from the Trust Funds and Relevant Reporting	Project Office
9.	STC 1/5	Work plan for 1 <sup>st</sup> Phase of the Project	Project Office
10.	STC 1/10	Budget for 1 <sup>st</sup> Phase of the Project	Project Office



UNEP/GEF Project - Russian Federation: Support to the National Programme of Action  
for the Protection of the Arctic Marine Environment

Consultative Meeting

Moscow, Russian Federation  
November 14, 2005

Library Hall of President hotel, 10.00-13.30

## **Concept note on donor funding and donor funded activities**

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Prepared:                   by Project Office in consultations with both Implementing and  
                                  Executing Agencies

## **Concept note on donor funding and donor-funded activities**

### ***Background***

1. The UNEP/GEF Project has three sources of funding:

- GEF funds;
- funds of the Russian Federation (in cash and in kind); and
- funds from other bilateral and supporting organisations.

The procedure of disbursement of the GEF and the Russian Federation funds and relevant reporting has been defined in the Project Document.

2. One of the major outputs of the Project will be a comprehensive Strategic Action Programme. This will include costed and targeted measures to attain improved environmental protection in the Arctic region of the Russian Federation and will take full account of the existing state and projected scope of contamination in the Russian Arctic, as well as interests of the inhabitants including indigenous peoples, and the need to meet international obligations of the Russian Federation.

3. The subsequent implementation of the SAP containing specific targeted and costed measures for addressing priority environmental issues derived from land-based activities within the Russian Federation will allow for a significant improvement of the environment in the Russian Arctic, the circumpolar region and on the global scale.

4. According to the Project Document the SAP will be developed by the Task Team under chairmanship of Executing Agency (Mineconomrazvitiya of Russia), comprising of representatives of the relevant federal departments and regional administrations, companies of all forms of ownership and RAIPON. Two working-groups can be established using grant funds. In addition it is proposed to establish additional working groups that will deal with communications and mobilisation of stakeholders involved in the SAP development as well as with Strategic Environmental Assessment of the SAP under development.

5. According to the Project Document at the initial stage the Task Team will develop basic SAP concept, objectives, principles, content, outputs and procedures necessary for SAP development.

6. A distinction feature of the UNEP/GEF Project is that there is adopted by Russian officials NPA-Arctic and GEF-UNEP project is directed to support it. NPA-Arctic development process required substantial technical/scientific support and guidance. While the latter was ensured through the academic knowledge and expertise of the Russian Academy of Sciences, the NPA technical support to NPA development was provided by sectoral R&D institutions.

7. During the PDF-B phase, the identification and prioritisation of areas of environmental degradation and threats within the Russian Arctic were accomplished (including the

identification of 147 hot spots, from which 21 received the status of higher priority) and the analysis of the mechanisms of hydrological and atmospheric transport of contaminants was carried out. The Project Document envisages further prioritisation of the hot spots. The Arctic Council has also undertaken significant activities for the identification and localisation of trans-boundary implications in the Russian Arctic Region.

8. Thus, the sufficient science and technical basis is available for preparing the SAP. It merely needs a comprehensive analysis that would take into account the current situation and additional materials, which will be received from administrations of the Russian Federation and industrial companies. It further is required to have a comprehensive analysis of economic implications of proposed action and non-action to establish appropriate costs associated with the proposed action. This can be done through scientific and technical feasibility study for the actions included in the SAP in accordance with the target dates set out the Project Document and to determine the sustainability of the Project.

9. During Project Document preparation donors confirmed their readiness to co-finance activities planned for the Project.

#### **Needs in donor funds for Project financing**

10. It is assumed that donor funds will be required for implementation of four principal Project components:

1. Preparation and adoption of a Strategic Action Programme (SAP);
2. Completion of a set of Pre-Investment Studies (PINS);
3. Development and implementation of Environmental Protection System (EPS), embodying legislative, administrative, institutional and technical capacity improvements consistent with the SAP; and
4. Three demonstrations projects on:
  - (i) Indigenous Environmental Co-management;
  - (ii) Remediation of the Environment through the Use of Brown Algae; and
  - (iii) Environmental Remediation of Two Decommissioned Military Bases

11. During the appraisal of the project, some areas for additional activities to the description of the Project Document have been identified by the Government of the Russian Federation for possible expansion of donor base for the Project. These areas are outlined below:

- Ecological rehabilitation of the Arctic territories contaminated by radionuclides; Enhance preparedness to deal with consequences of radiation accidents in the Arctic region;
- Ecologically safe utilization of obsolete military techniques and ammunition in the Arctic;

- Utilization of the old stocks of toxic chemicals for agricultural and other purposes in the Arctic region;
- Assessment of the consequences of global warming for the Arctic territories polluted by toxic chemicals, oil products and radionuclides;
- Conservation of habitats and biodiversity at the Arctic territories under impacts of toxic chemicals and radionuclides;
- Ecologically safe utilization of obsolete radio isotopic thermo electrical generators in the Arctic region.

12. In the preparation of the SAP the donor funds are needed for systematization of the scientific and technical materials that formed the basis of the NPA-Arctic and are obtained during its implementation, the materials to be submitted by federal and regional authorities and industries and for additional comprehensive analysis of the materials collected at the PDF-B phase. These assessments can be made using the donor funds by means of creating teams of experts, extending working hours of the consultants of the Target Team and Working Groups determined by the Project Document, entrusting the leading organisation – the SAP developer with the additional task and, if necessary, by carrying out pre-feasibility and feasibility studies targeted at generalising and detailing of the data provided by federal and regional authorities and industries. Donor funds are requested also for two newly proposed Working Groups that will deal with communications and mobilisation of stakeholders involved in the SAP development as well as with Strategic Environmental Assessment.

13. In addition, simultaneously with SAP development, in order to mitigate risks on the SAP practical implementation, it is proposed to develop mechanisms of financing of SAP implementation. These mechanisms should be accepted by donors and be in line with the Budget Code of the Russian Federation. After analysis of these mechanisms by corresponding authorities new demonstration projects could be proposed, including different types of financing of activities included into the SAP (grants, subsidised loans (at lower than market interest rate), loans with interest rate at the market level, guaranties), etc.

14. One of possible variants of financial mechanisms is financing options for addressing past environmental liabilities, damage accumulated during past operations, e.g. projects which do not have and can not have clearly visible financial benefits. This variant will identify and provide description of selected options for financing the high-priority cleanup activities needed to mitigate the impacts of accumulated damage, including public/private partnerships. A review will be carried out in the recognition that a range of financing mechanisms is required to meet the variety of situations. Potential factors that will affect how specific financing is tailored may include: (i) the significance of the health and environmental impacts; (ii) ownership issues and financing capacity of the responsible parties; (iii) the financial capacity of the respective municipality or subject of the Russian Federation; and (iv) the potential for international participation, e.g., a pilot program funded by the federal budget and/or regional budgets and using funds of

international financing institutions. Donor funds can be required to identify planning initiatives and financing options that could form building blocks of an initiative to address the issue, with particular emphasis on designation of national priorities and public/private partnerships.

15. The donor funds are required for carrying out a set of pre-investment studies. These studies should be conducted within the coordinated programme, and there will be a need for preparing a pre-investment study manual to ensure their uniformity and consistency. Clearly there are lacks in funds to fulfil the requirements in this aspect.

16. The improvement of an Environmental Protection System (EPS) for the Russian Arctic that should be a follow-up to the SAP. It provides a comprehensive legal framework for improvement of environmental protection, sustainable exploitation of natural resources and the wise and environmentally sound exploitation of non-renewable resources in the North will also require considerable donor funds. Donor funds will be also required for evaluation and preparation of practical recommendations aimed at harmonization and rationalization of the responsibilities and procedures of the federal and provincial executive agencies in the field of environmental protection in the Arctic. Further actions that will require additional grant funding will be evaluated during SAP development process.

17. Considerable donor funds can be required for demonstration projects. Since these projects will be conducted in field conditions the GEF funds will be insufficient for their accomplishment. The amount of the necessary donor funds may be determined at the stage of the preparation of each demonstration project.

18. Donor's funds can be also required for additional conferences and meetings devoted to discussions of financing mechanisms, increasing awareness on projects, creation of public-private partnership, conducting of public hearings on SAP issues, discussion of SEA results, conducting conferences with international and Russian companies operating and/or interested in operations in Russian Arctic for which grant funds are not envisaged by the Project Document.

19. Based on the evaluated need of the Russian Government and on the interests of the donor community, the Steering Committee is invited to discuss and finalise a detailed working plan and budget for the first phase and the coming year.

20. In line with Project Document all activities associated with practical implementation of the Project will be performed by the Project Office and will be started just after first Steering Committee meeting.

**Project Steering Committee Panel**

<b>Name</b>	<b>Country/Organisation</b>	<b>Work Place</b>
<b>Chairman</b>		
Andrey Sharonov	Executing Agency	Minekonomrasvitia of Russia
<b>Full Members</b>		
Boris Morgunov	Executing Agency	Minekonomrasvitia of Russia
Takehiro Nakamura	UNEP	UNEP
Bill Freeman	USA	US Environmental Protection Agency (EPA)
Christopher Cuddy	Canada	Land and Water Management Indian and Northern Affairs
Magnus Johannesson	Iceland	Ministry for the Environment
Claudia Croce	Italy	Ministry for the Environment and Territory
Veerle Vandeweerd	UNEP-GPA	UNEP-GPA Secretariat
<i>Not nominated</i>	IOC of UNESCO	
<b>Permanent Participants</b>		
Timothy Turner	ACOPS	ACOPS
Harro Pitkänen	NEFCO	NEFCO
Pavel Sulyandziga	RAIPON	RAIPON
<b>Observers</b>		
<i>Not nominated</i>	EBRD	
<i>Not nominated</i>	NDEP	
<i>Not nominated</i>	Arctic Council	

STEERING COMMITTEE

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action  
for the Protection of the Arctic Marine Environment

First Meeting

Moscow, the Russian Federation

November 14-16, 2005

**STC 1/2**

## **Item 2 of the Agenda**

### **Terms of Reference of the Project Steering Committee**

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Status:       Approved by the 1<sup>st</sup> meeting of the Project Steering Committee

## Terms of Reference of the Project Steering Committee

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1. The Project Steering Committee is the supreme governing body of the UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” (hereinafter the Project) established for overseeing its implementation and adopting corrective actions relating to the further implementation of the Project.

The Project Steering Committee has been instituted by the Ministry of Economic Development and Trade of the Russian Federation (hereinafter Mineconomrazvitiya of Russia), which is the Project Executing Agency, and by the United Nations Environment Programme (hereinafter UNEP), which is the Project Implementing Agency.

In order to maintain the Project integrity, especially under the condition that there are Executing Agency (Mineconomrazvitiya of Russia) and two Partner Agencies (the Advisory Committee on Protection of the Sea – ACOPS and Nordic Environment Finance Corporation - NEFCO), handling funds of various sources, the Project Steering Committee functions as the forum to discuss and agree on the integrated work plan, including budget allocations by components and tasks and review the progress of the implementation of activities based on the agreed work plan .

2. In its work, the Project Steering Committee shall be consistent with the Constitution of the Russian Federation, laws of the Russian Federation, decrees and resolutions of the President of the Russian Federation, acts and resolutions of the Government of the Russian Federation, UNEP/GEF rules and guidelines and the approved Project Document.

3. To attain the set objective, the Project Steering Committee:

- Review and approve the annual work programme and budget for the project implementation;
- review and evaluate progress in project implementation and execution and provide instructions to the Project Office and Project Supervisory Council regarding areas for improvement;
- provide general direction and strategic guidance to the Project Office, the



Project Supervisory Council and any task teams or working groups established under the Project, regarding Project implementation and execution of agreed activities over the entire period of the Project. Approves the Operational Manual for project Implementation and other regulatory and methodical documents to regulate the procedure of the project implementation and effective performance of the Project Office;

- considers and approves lists of projects subject to further detailing within the Project framework;
- Review and approve annual expenditure reports and financial plans, and define the conditions of the funds disbursement for implementing the Project components and projects to be financed within the UNEP/GEF Project framework;
- Facilitate cooperation and coordination among the Project Office, Partner Agencies and donors to ensure appropriate delivery of Project activities and outputs commensurate with work programmes;
- Review and approve reports of project activities submitted or presented to third parties, including the GPA secretariat and bodies under the Arctic Council;
- approves projects to be financed within the Project framework and draft legal documents required for their implementation;

4. The Project Steering Committee has three categories of participation: full member, permanent participant and observer. A high-level representative of the Executing Agency (Mineconomrazvitiya of Russia) shall chair the Project Steering Committee. A high level representative of the Implementing Agency (UNEP) may be invited to act as co-chair of the Project Steering Committee.

5. Decisions of the Project Steering Committee are made by consensus of full members and formalized by the Report of the meeting. Permanent participants will take part in discussion of all documents at the Committee meetings. Observers are invited to participate in the meetings of the Committee as deemed necessary by the Committee.

6. Following representatives are full members of the Project Steering Committee: Executing Agency, Implementing Agency, USA, Canada, Italy, Iceland, GPA

Secretariat, and IOC of UNESCO. Partner Agencies and RAIPON are the permanent participants. NEFCO will have a full member status when acting as a donor. EBRD, NDEP and Arctic Council are invited as observers. Other observers can also be invited to the meetings by the Project Steering Committee.

7. All full members, permanent participants and observers will appoint their official representatives (heads of delegations) to the Project Steering Committee. The size of the party delegation is not limited within sensible limits, but each delegation will have a single vote.

8. The Project Steering Committee, based on consensus, may decide to include additional members.

9. The Project Steering Committee meetings will be held at least once every year. The Project Steering Committee may hold an extraordinary meeting as needed. The Project Steering Committee is considered capable if more than 50% of full members participate in the meeting.

10. The Project Steering Committee may decide to take its decisions through written communications as it deems practicable.

11. The Project Steering Committee Chairman notifies the Project Steering Committee members about the next meeting and the documents prepared for it not later than one month before the announced date of the meeting.

12. The Project Office as a secretariat for the Project Steering Committee organises technical and informational support to the activity of the Project Steering Committee. Preparation of draft documents for the Project Steering Committee meetings and official record of its decisions are provided by the Project Office acting in accordance with the Operational Manual for project Implementation.

13. Project Office shall send to full members and permanent participants of the Project Steering Committee reports on the Project Steering Committee meetings as well as information on the Project Implementation in a timely manner. Reports on Project Steering Committee meetings shall be circulated within a month after the meeting and reports on Project implementation shall be distributed by the Project Office on a quarterly basis.

**ANNEX VII**

STEERING COMMITTEE

UNEP/GEF Project - Russian Federation: Support to the National Programme of Action for the Protection of the Arctic Marine Environment

First Meeting

Moscow, Russian Federation  
November 14-16, 2005

STC 1/3

**Item 3 of the Agenda**

**Terms of Reference of the Project Supervisory  
Council**

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Status:       Approved by the 1<sup>st</sup> meeting of the Project Steering Committee

## **Terms of Reference of the Project Supervisory Council**

1. The Project Supervisory Council of the UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” (hereinafter referred as the Project) is a working body in charge of supervising the Project and ensuring the project implementation during the intervals between Steering Committee meetings.

2. The Project Supervisory Council consists of representatives of Executing Agency, Implementing Agency and Partner Agencies. The donors may participate or may be represented at the Project Supervisory Council by their chosen Partner agencies. Each Agency will appoint its official representative to the Council. RAIPON will be invited to work in the Project Supervisory Council. The Council is chaired by Executing Agency and Implementing Agency in turn.

3. In its work, the Project Supervisory Council shall be consistent with the Constitution of the Russian Federation, laws of the Russian Federation, decrees and resolutions of the President of the Russian Federation, acts and resolutions of the Government of the Russian Federation, UNEP/GEF rules and guidelines and the approved Project Document.

4. The key objective of the Project Supervisory Council is management of the project implementation in a coordinated manner according to the Project Work Plan approved by the Steering Committee and supervision over the Project Office activity, including addressing issues that require interdepartmental coordination and interaction.

5. To attain the set objective, the Project Supervisory Council:

- provide direction and operational guidance to the Project Office and any other task teams or working groups established under the Project in accordance with the project work programme approved by, and guidance from the Project Steering Committee;
- review the Terms of Reference for all working groups, task teams or other bodies created for the purposes of Project implementation;
- review the draft quarterly and annual expenditure reports by the Project Office as well as Partner Agencies;
- assume overall responsibility for coordination of Project activities within the

various components of the Project;

- facilitate cooperation and coordination among the Project Office, task teams and working groups to ensure appropriate delivery of project activities and outputs commensurate with work programmes;
- review and evaluate the progress in project implementation, before such information is transmitted to the Project Steering Committee;
- develop annual work plans and provide periodic progress reports to the Project Steering Committee in both Russian and English languages
- develop and submit lists of projects subject to further detailing within the Project framework for final approval by the Project Steering Committee;
- prepare and submit projects to be financed within the UNEP/GEF Project framework and draft legal documents required for their implementation to the consideration of the Project Steering Committee;
- approve cash advance requests for the Grant funds transferred to foreign currency and RUR accounts of the UNEP/GEF Project intended for its implementation as well as reports on the Project related expenses;

6. The Project Supervisory Council will meet as a rule once every quarter or as often as required. Its meetings can be held by teleconferences. A Project Supervisory Council member when unable to personally participate may delegate his/her representative to the meeting. The Project Supervisory Council is considered capable if not less than a half of its members participate in the meeting.

The meetings of the Project Supervisory Council are chaired by Co-Chairs, therefore the agenda is adopted and time of the meeting is defined with regard to proposals by its members. The Project Supervisory Council members are notified about the next meeting and the documents prepared for it not later than one week before the designated date of the meeting.

7. Decisions of the Project Supervisory Council are based on consensus and formalised by the Report of the meeting. Preparation of draft documents for the Project Supervisory Council meetings and official record of its decisions are carried out by the UNEP/GEF Project Office.

8. Decisions relating to urgent issues in the competence of the Project Supervisory Council, if necessary, can be made by Co-Chairs of the UNEP/GEF Project Supervisory Council as agreed upon by a majority of its members through e-mail confirmation. These decisions are recorded in the Report of the immediate

Project Supervisory Council meeting.

9. In case of serious disagreements among the Project Supervisory Council members, their settlement will be brought to the consideration of the Project Steering Committee. The Project Supervisory Council will annually report to the Project Steering Committee.

10. The Project Office functions as the secretariat for the Project Supervisory Council and provides organizational and technical support and dataware.

11. The Project Supervisory Council will report on its progress to the Project Steering Committee according to the approved schedule.

12. Efficiency of the Project Supervisory Council will be reviewed at the second Steering Committee meeting.

STEERING COMMITTEE

UNEP/GEF Project - Russian Federation: Support to the National Programme of  
Action for the Protection of the Arctic Marine Environment

First Meeting

Moscow, the Russian Federation  
November, 14-16, 2005

STC 1/4

## **Item 4 of the Agenda**

### **Work Plan for 2005**

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Status:       Approved by the 1<sup>st</sup> meeting of the Project Steering Committee

**WORK PLAN FOR THE IMPLEMENTATION OF THE GEF PROJECT, YEAR 2005**

<b>No.</b>	<b>Activity</b>	<b>Output</b>	<b>Responsible person / organization</b>	<b>Target Date</b>
1	Signing contracts with the UNEP/GEF Project Office staff	Project Office personal employment.	Maksimenko	August
2	Providing Project Office staff with office premises	Provision of the Project Office staff with work place	Maksimenko	August
3	Preparation in co-ordination with Executing Agency a cash advance request for initial disbursement of project funds from the UNEP/GEF contribution in the 3d quarter of 2005	Cash advance request	Senchenya Zaytseva	August
4	Cash advance request co-ordination with Implementing Agency for initial disbursement of project funds from the UNEP/GEF contribution in 3d quarter of 2005	Cash advance request	Senchenya Zaytseva	August
5	Preparation of Memorandum of Understanding between UNDP and NPAF regarding services provided by UNDP for Project implementation on the initial stage	Signed Memorandum.	Senchenya Maksimenko	August
6	Preparation of documents for the first Steering Committee meeting and forwarding them for approval by Executing Agency and Implementation Agency	Package of documents with both Executing Agency and Implementing Agency comments allowance	Senchenya Tambiev Zaytseva	August- October



No.	Activity	Output	Responsible person / organization	Target Date
7	Distributing of the documents for the first Steering Committee meeting among all Steering Committee members for comments for 3 weeks in advance	Comments of Steering Committee members	Senchenya	October
8	Preparation of UNEP/GEF Project computer presentation for the first meeting of the Steering Committee	Computer presentation	Senchenya Tambiev	October
9	Tender Committee for services and goods procurement establishing in co-ordination with Executing Agency for Project implementation in accordance with the Federal Law №94-Ф3 of July 21 2005 г., article 2,3	Committee of 5 members at least	Senchenya Tambiev Zaytseva	October
10	Quotation Commission setup in co-ordination with Executing Agency for procurement of consulting and related services, goods and works by the Project Office of the UNEP/GEF Project in accordance with the Federal Law №94-Ф3 of July 21 2005 г., article 4.	Committee of 5 members at least	Senchenya Zaytseva Tambiev	September October
11	Preparation of quarterly budget report for the 3d Quarter of 2005 using format in Annex XVI to the Project Document to be presented to the Executing Agency and Implementing Agency	Quarterly budget report	Zaytseva Senchenya	September
12	Preparation in co-ordination with the Executing Agency the Cash Advance Request from the UNEP/GEF contribution for the 4 <sup>th</sup> Quarter of 2005	Cash Advance Request	Zaytseva Senchenya	September

No.	Activity	Output	Responsible person / organization	Target Date
13	Co-ordination with the Implementing Agency the Cash Advance Request from the UNEP/GEF contribution for 4 <sup>th</sup> Quarter of 2005	“No objection” received	Zaytseva Senchenya	September - October
14	Purchasing of office and IT equipment for the Project Office	Office and IT equipment	Tambiev Zaytseva	October
15	The first Steering Committee Meeting to be held	Meeting Protocol and Package of adopted documents	Senchenya Tambiev Zaytseva	November
16	Preparation of primary accounting documentations for non-yearly reporting; completion of inventory for non-expendable equipment	A package of primary accounting documents	Korosteleva Zaytseva.	November - December
17	Selection of the Task Team members (the selection mechanism will be approved by the Steering Committee) for SAP development. Preparation of Terms of Reference for each consultant. Signing contracts with consultants.	Task Team established. Contracts with consultants signed	Senchenya Zaytseva Tambiev	November-December
18	Set up a panel of official representatives of the Federal executive authorities, regional executive authorities of the Russian Federation and industrial companies for participation in the Task Team activities for SAP development	A panel of official representatives	Executing Agency	December

No.	Activity	Output	Responsible person / organization	Target Date
19	Set up a coordinating board of the Russian stakeholders to make provision for their interests during Project implementation	Coordinating board	Executing Agency	December
20	Linking up to the high-speed Internet and obtaining Project domain name	High-speed Internet	Tambiev Zaytseva	December
21	Development in-cooperation with Executing and Implementing Agencies of the Project website concept, website prototype and publish it in Internet	Project website in Internet	Tambiev Senchenya	November - December
22	Development of official Project letterhead layout in co-operation with Executing Agency, the Implementing Agency and NPAF	Official Project letterhead	Senchenya Tambiev Maksimenco	November - December
23	Preparation of a half-yearly progress report using format in Annex XIV to the Project Document to be presented to the Executing and the Implementing Agencies	Half-yearly progress report	Senchenya Zaytseva	December
24	Preparation of the report on co-financing using format in Annex XVIII to the Project Document to be presented to the Executing and the Implementing Agencies	Report on co-financing	Senchenya Zaytseva	December
25	Preparation of inventory of non-expendable equipment using format in Annex XVII to the Project Document	Inventory	Korosteleva Zaytseva	December

No.	Activity	Output	Responsible person / organization	Target Date
26	Preparation legally certified translation of the Project Document from English to Russian	Project document translated and legally certified	Senchenya Zaytseva	October
27	Preparation of application and a package of necessary documents for submitting to the Executing Agency and to the Commission for International Humanitarian and Technical Assistance under the Government of Russian Federation to obtain a tax-free status for the Project	Document package	Senchenya Zaytseva	November - December

STEERING COMMITTEE

UNEP/GEF Project - Russian Federation: Support to the National Programme of  
Action for the Protection of the Arctic Marine Environment

First Meeting

Moscow, the Russian Federation  
November 14-16, 2005

STC 1/9

## **Item 9 of the Agenda**

### **Project Budget for the Year of 2005**

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Status:       Approved by the 1<sup>st</sup> meeting of the Project Steering Committee

## **Explanatory note for the 2005 budget**

Budget for 2005 is prepared on a basis of authorizations by UNEP of Project Office expenditures via UNDP (in thousand of USD)

The following changes have been made in 2005 budget (marked by yellow in detailed budget)

### **2. Budget line 1100 – Project Personnel**

- Line 1101 Project Manager - 18,5 (5,6 is not used)
- Line 1102 Deputy Project Manager - 11,0 (2,0 is not used)
- Line 1103 Project Financial Management Officer, Project Office Moscow - 14,3 (2,6 is not used)
- Line 1181 Technical expert - 0.0 (43,3 is not used)
- Line 1182 Technical expert - 0.0 (16,3 is not used)

**Total savings for budget line 1100 - 69,8**

### **3. Budget line 1200 – Consultants**

- Line 1201 International consultant, SAP Task Team (TT) 10,0 (10,0 is not used)
- Line 1202 International consultant, SAP (TT) 10,0 (5,0 is not used)
- Line 1206 Lead Russian Consultant SAP (TT) 3,9 (15,6 is not used)
- Line 1207 Russian Consultant SAP (TT) 3,3 (9,9 is not used)
- Line 1208 Russian Consultant SAP (TT) 3,3 (3,3 is not used)
- Line 1209 Russian Consultant SAP (TT) 3,3 (3,3 is not used)
- Line 1210 Russian Consultant SAP (TT) 3,3 (3,3 is not used)
- Line 1211 Russian Consultant SAP (TT) 3,3 (3,3 is not used)
- Line 1212 Russian Consultant SAP (TT) 2,6 (2,6 is not used)
- Line 1213 Russian Consultant SAP (TT) 2,6 (2,6 is not used)
- Lines 1214-1229 and line 1244 are not used
- Line 1245 Russian Consultant, Project Adviser 9,1 (1,6 is not used)

**Total savings for budget line 1200 - 136,7.**

### **3. Budget line 1300 Administrative support**

- Line 1302 Project Secretary 4,0 (2,5 is not used)

**Total savings for budget line 1300 - 2,5**

**4. Budget line 1600 Travel on official business** was not used

**Total savings for budget line 1600 - 34,0**

**5. Budget line 2200 Sub-contract with co-operating organizations** was not used

**Total savings for budget line 1600 - 28,5**

**6. Budget line 3300 Meetings**

- Line 3302 Task Team Meetings, SAP, 10,0 - not used
- Line 3305 Meetings (Project Office) 1,0 - not used

**Total savings for budget line 3300 - 11,0**

**7. Budget line 4200 Non-expendable equipment**

- Line 4201 Non-expendable equipment 28,0 (15,0 – not used)

**Total savings for budget line 4200 - 15,0**

**8. Budget line 5200 Reporting**

- Lines 5202-5203, 5205-5207 are not used
- Line 5204 Translations (Project Office) 2,0 (1,0 is not used)
- Line 5201 Reports to UNEP and partners 1,0(1,0 – not used)

**Total savings for budget line 5200 - 17,0**

**9. Budget line 5300 Sundry**

- Line 5301- 4,0 (2,0 – not used)

**Total savings for budget line 5300 - 2,0**

**10. Budget line 5400 Hospitality** 2,0 – not used

Total savings is 318,5. It is proposed to transfer remaining amounts for lines 1200, 1600, 2200, 3300, 4200, 5200 and 5300:

- 1200 Consultants -135,1
- 1600 Business trips - 34,0
- 2200 Sub-contracts with organizations - 28,5
- 3300 Meetings – 11,0

- 4200 Office equipment - 15,0
- 5200 Reporting– 17,0
- 5300 Sundry- 2,0

into budget of 2006 for the same lines.

**It is proposed to transfer into budget of 2006 savings of 2005 in amount 242,6.**

It is proposed to eliminate budget line 5400 – Hospitality (7,1 for 2006-2007 years)

It is proposed to allocate the remaining amounts as follows:

- Increase financing for line 5302 – Information services – up to 9,8 (by 2,4) for 2006;
- Increase man-month load for Russian consultants for 2006 (with the same level of remuneration fee):

Lines 1208 – 1211 Russian consultants (TT) for 1 month (by 13, 2)

Lines 1212 – 1213 Russian consultants (TT) for 2 months (by 10, 4)

Line 1214 Lead Russian consultant (WG-1) for 4 months (by 15,6)

Line 1215 Russian consultant (WG-1) for 2 months (by 6,6)

Line 1216 Russian consultant (WG-1) for 3 months (by 9,9)

Line 1217 Lead Russian consultant (WG-1) for 3 months (by 11,7)

Lines 1218-1219 Russian consultants (WG-2) for 2 months (by 13,2)

It is proposed to combine lines 2201 and 2202 – subcontract with organization and to conclude a contract with one organization in amount of 28,5)



**Project Budget Summary (in thousands of US\$) on 2005**

<b>Project Activities</b>	<b>GEF funds</b>
<b>1. SAP Development</b>	<b>64,7</b>
<b>2. Pre-investments Studies</b>	0,0
<b>3. Environmental Protection System Improvements</b>	0,0
<b>4. Demonstrations Projects</b>	0,0
<b>Project Coordination and Management</b>	<b>130,1</b>
<b>Executing Agencies Regional Co-ordinations</b>	0,0
<b>Project total</b>	<b>194,7</b>
<b>Grand total</b>	<b>194,7</b>

<b>Project Activities</b>	<b>GEF funds</b>
<b>1. SAP Development</b>	<b>64,7</b>
Consultants	64,7
Travel in official business	0,0
Meetings	0,0
Sub-contracts with cooperating organisations	0,0
<b>2. Pre-investments Studies</b>	
<b>3. Environmental Protection System Improvements</b>	
<b>4. Demonstrations Projects</b>	
<b>Project Coordination and Management</b>	<b>130,1</b>
Project personal	43,8
Administrative support	4,8
Travel on official business	0,0
Meetings	37,0
Office equipment	33,1
Reports and translation	3,0
Communication services and sundry	8,4
<b>Executing Agencies Regional Co-ordinations</b>	0,0
<b>Project total</b>	<b>194,7</b>
<b>Grand total</b>	<b>194,7</b>

<b>Updated:</b>				<b>2005</b>	
<b>Object of expenditure</b>	<b>Activity</b>	Description	<b>Unit</b>	<b>W/m</b>	
<b>1100</b>		<b>Project Personnel</b>			
1101	PC&M	Project Manager, Project Office Moscow	3,7	5,0	18,5
1102	PC&M	Project Deputy Manager, Project Office Moscow	2	5,5	11,0
1103	PC&M	Project Financial Management Officer, Project Office Moscow	2,6	5,5	14,3
1181	PC&M	Technical expert	13,33	0,0	0,0
1182	PC&M	Technical expert	10	0,00	0,0
<b>Sub total</b>				<b>16,0</b>	<b>43,8</b>
<b>1200</b>		<b>Consultants</b>			
1201	Activity 1 - SAP	International consultant, Task Team (TT)	10	1,0	10,0
1202	Activity 1 - SAP	International consultant, TT	10	1,0	10,0
1203	Activity 1 - SAP	International consultant, TT	10	1,0	10,0
1204	Activity 1 - SAP	International consultant, WG 1	10		0,0
1205	Activity 1 - SAP	International consultant, WG 2	10		0,0
1206	Activity 1 - SAP	Lead Russian consultant, TT	3,9	1,0	3,9
1207	Activity 1 - SAP	Russian consultant, TT	3,3	1,0	3,3
1208	Activity 1 - SAP	Russian consultant, TT	3,3	1,0	3,3
1209	Activity 1 - SAP	Russian consultant, TT	3,3	1,0	3,3
1210	Activity 1 - SAP	Russian consultant, TT	3,3	1,0	3,3
1211	Activity 1 - SAP	Russian consultant, TT	3,3	1,0	3,3
1212	Activity 1 - SAP	Russian consultant, TT	2,6	1,0	2,6
1213	Activity 1 - SAP	Russian consultant, TT	2,6	1,0	2,6
1214	Activity 1 - SAP	Lead Russian consultant, WG1	3,9	0,0	0,0
1215	Activity 1 - SAP	Russian consultant, WG1	3,3	0,0	0,0
1216	Activity 1 - SAP	Russian consultant, WG1	3,3	0,0	0,0
1217	Activity 1 - SAP	Lead Russian consultant, WG2	3,9	0,0	0,0
1218	Activity 1 - SAP	Russian consultant, WG2	3,3	0,0	0,0
1219	Activity 1 - SAP	Russian consultant, WG2	3,3	0,0	0,0
1220	Activity 2 - PINS	International consultant, Working Group (WG)	10		
1221	Activity 2 - PINS	International consultant, WG	10		
1222	Activity 2 - PINS	International consultant, WG	10		
1223	Activity 2 - PINS	Lead Russian consultant, WG	3,9		
1224	Activity 2 - PINS	Russian consultant, WG	3,3		
1225	Activity 2 - PINS	Russian consultant, WG	3,3		
1226	Activity 2 - PINS	Russian consultant, WG	3,3		
1227	Activity 2 - PINS	Russian consultant, WG	3,3		

1228	Activity 2 - PINS	Russian consultant, WG	3,3		
1229	Activity 2 - PINS	Russian consultant, WG	2,6		
1230	Activity 2 - PINS	Russian consultant, WG	2,6		
1231	Activity 3 - EPS	International consultant, Task Team (TT)	10		
1232	Activity 3 - EPS	International consultant, TT	10		
1233	Activity 3 - EPS	International consultant, TT	10		
1234	Activity 3 - EPS	Lead Russian consultant, TT	3,9		
1235	Activity 3 - EPS	Russian consultant, TT	3,3		
1236	Activity 3 - EPS	Russian consultant, TT	3,3		
1237	Activity 3 - EPS	Russian consultant, TT	3,3		
1238	Activity 3 - EPS	Russian consultant, TT	3,3		
1239	Activity 3 - EPS	Russian consultant, TT	3,3		
1240	Activity 3 - EPS	Russian consultant, TT	3,3		
1241	Activity 3 - EPS	Russian consultant, TT	3,3		
1242	Activity 3 - EPS	Russian consultant, TT	2,6		
1243	Activity 3 - EPS	Russian consultant, TT	2,6		
1244	Activity 1 - SAP	International consultant, unspecified	10		
1245	Activity 1 - SAP	Russian consultant, Project Advisor	3,3	2,8	9,1
1246		Russian consultant, Unspecified			
<b>Sub total</b>				<b>13,8</b>	<b>64,7</b>
<b>1300</b>		<b>Administrative Support</b>			
1301	PC&M	Project Assistant Financial Management Officer, Project Office Moscow	0,8	1,0	0,8
1302	PC&M	Project Secretary, Moscow	1	4,0	4,0
<b>Sub total</b>				<b>5,0</b>	<b>4,8</b>
<b>1600</b>		<b>Travel on official business</b>			
1601	PC&M	Travel on official business			0,0
1602	Activity 1 - SAP	Travel on official business			0,0
1603	Activity 2 - PINS	Travel on official business			
1604	Activity 3 - EPS	Travel on official business			
1605	Activity 4- DEMOS	Travel on official business			
<b>Sub total</b>					<b>0,0</b>
<b>2200</b>		<b>Sub-contracts with cooperating organisations</b>			
2201	Activity 1 - SAP	Sub-contract with one organisation			
2202	Activity 1 - SAP	Sub-contract with one organisation			
2210	Activity 2 - PINS	Sub-contract with three organisations			
2220	Activity 3 - EPS	Sub-contract with one organisation for Legislative Improvements (LEGIM)			

2221	Activity 3 - EPS	Sub-contract with one organisation for Administrative Improvements (ADIM)			
2222	Activity 3 - EPS	Sub-contract with one organisation for Institutional and Technical Improvements (INTEC)			
2230	Activity 4- DEMOS	Sub-contract with one organisation for Contaminant Cleanup (CLEANUP)			
2231	Activity 4- DEMOS	Sub-contract with one organisation for Indigenous Environmental Co-management (COMAN)			
2232	Activity 4- DEMOS	Sub-contract with one organisation for Decommissioned Military Bases (BASES)			
<b>Sub total</b>					<b>0,0</b>
<b>3300</b>		<b>Meetings / Conferences (travel, DSA, administrative support, interpretation, translation, preparation of documents, copying, sundry, hospitality)</b>			
3301	PC&M	Steering Committee Meetings			37,0
3302	Activity 1 - SAP	Task Team Meetings			0,0
3303	Activity 1 - SAP	Meetings of the Working Groups			
3304	Activity 2 - PINS	Meetings of the Working Groups			
3305	Activity 3 - EPS	Meetings of the Task Team			
3306	PC&M	Unspecified meetings			0,0
3307		Supervisory Council			
3308		Russian Coordination WG			
3309		WG for Demonstration Projects			
<b>Sub total</b>					<b>37,0</b>
<b>4100</b>		<b>Expendable equipment</b>			
<b>Sub total</b>	PC&M	Expendable equipment			3,0
					<b>3,0</b>
<b>4200</b>		<b>Non-expendable equipment</b>			
4201	PC&M	Non-expendable equipment			28,1
<b>Sub total</b>					<b>28,1</b>
<b>5100</b>		<b>Operation and maintenance of equipment</b>			
<b>Sub total</b>	PC&M	Operation & maintenance of equipment			2,0
					<b>2,0</b>
<b>5200</b>		<b>Reporting Activities</b>			
5201	PC&M	Reports to UNEP & partners, translation			1,0
5202	PC&M	Reports to UNEP & partners, copying & distribution			0,0
5203	PC&M	Information, promotion			0,0

5204	PC&M	General translation			2,0
5205	PC&M	General copying & distribution			0,0
5206	Activity 1 - SAP	General translation			
5207	Activity 2 - PINS	General translation			
5208	Activity 3 - EPS	General translation			
<b>Sub total</b>					<b>3,0</b>
<b>5300</b>		<b>Sundry</b>			
5301	PC&M	Sundry			4,0
5302	PC&M	Communication services			4,4
<b>Sub total</b>					<b>8,4</b>
<b>5400</b>		<b>Hospitality</b>			
5401	PC&M	Hospitality			0,0
<b>Sub total</b>					<b>0,0</b>
<b>5500</b>		<b>Evaluation</b>			
5501	PC&M	Evaluation, auditing & peer review			
<b>Sub total</b>					<b>0,0</b>
		<b>Grand Total</b>			
1100		Project Personnel		16,0	43,8
1200		Consultants		13,8	64,7
1300		Administrative support personnel		5,0	4,8
1600		Travel on official business			0,0
2200		Sub-contracts with cooperating organisations			0,0
3300		Meetings / Conferences			37,0
4100		Expendable equipment			3,0
4200		Non-expendable equipment			28,1
5100		Operation and maintenance of equipment			2,0
5200		Reporting costs			3,0
5300		Sundry			8,4
5400		Hospitality			0,0
5500		Evaluation			0,0
<b>Grand total</b>				<b>34,8</b>	<b>194,7</b>

STEERING COMMITTEE

of the UNEP/GEF Project

“Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment”

1<sup>st</sup> Meeting

Moscow, Russian Federation  
November, 14-16 2005

STC 1/6

Item 6 of the Agenda

**Guidelines for Procurement of Consulting and  
Related Services, Goods and Works by the Project  
Office**

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Status:       Approved by the 1<sup>st</sup> Meeting of the Project Steering Committee

# Guidelines for Procurement of Consulting and Related Services, Goods and Works by the Project Office

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These Guidelines regulate procurement of consulting and related services, goods and works by the Project Office of the UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” for the needs of the Project in order to ensure its implementation. The Guidelines apply to the entities referred below in accordance with their respective financial rules and regulations.

## **1. Basic Principles of Preparation for Procurement of Consulting and Related Services, Goods and Works**

### **1.1. Legislative base**

Procurement of consulting and related services, goods and works is to be implemented pursuant to:

- procedures of UNEP/GEF (hereinafter “Procedures”);
- legislations of the Russian Federation
- Project Document of the UNEP/GEF Project signed on July 18, 2005;
- Agency Agreement on the Implementation of the UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” between the Ministry of Economic Development and Trade of the Russian Federation (“Trustee”) and the Legal Entity “Executive Directorate of the Russian National Pollution Abatement Facility” (“Agent”);
- United Nations Development Program (UNDP) Procurement Manual (May, 2003, [www.undp.org/procurement](http://www.undp.org/procurement)).

### **1.2. Initiation of Procurement**

1.2.1. The procurement can be initiated by the Project Office upon agreement with the Implementing Agency and Executing Agency (UNEP).

1.2.2. The Project Manager will submit the request to the Implementing Agency for approval of procurement and then forward it for approval to the Executing Agency. The request needs to contain the substantiation of the procurement expediency, information on the available budget funds as well as objectives and targets to be attained due to this procurement. Attached to the request shall be the following:



- contract budget value;
- planned dates for the service provision;
- TOR or technical specifications;
- a list of evaluation criteria or sub-criteria that will be included in the request for proposals and constitute the basis for the comparison of technical proposals;
- proposal for procurement method.

1.2.3. Upon approval of the procurement by the Implementing and Executing Agencies the Project Manager will make decision on the procurement method and agree it with the Implementing Agency.

## **2. Procurement Methods**

### **2.1. Description of Procurement Methods**

The following procurement methods are recommended for international technical assistance projects:

- Request for Quotations - RFQ
- Invitation to Bid - ITB
- Request for Proposals - RFP
- Direct Contracting
- Purchasing.

### **2.2. Request for Quotations (RFQ)**

The method is the most flexible and least formal to use. This can be used for procuring goods, services and/or works with standardized quality and easily available on the market if the contract amount exceeds USD 2,500 but is less than USD 100,000. However, if the items are required on a repetitive basis and the cumulative value of the contract exceeds USD 100,000, RFQ is not the appropriate method. In such case the ITB or RFP must be employed. Using the RFQ method, the Project Office requests for a quotation from the pre-selected list of suppliers, which should normally contain minimum three responsive offers, and selects the lower-price offer that meets the requirements. Price is the basic selection criteria in case of RFQ.

### **2.3. Invitation to Bid (ITB)**

An Invitation to Bid (ITB) is normally used whenever the entity is not required to propose technical approaches to a project activity, or to offer management or supervision of an activity. Another factor in selecting this method is that the contract amount is USD 100,000 or more. ITBs are used when it is possible to provide precise specifications of procured works and services or characterize them quantitatively and qualitatively. The process calls for open advertising or inviting bids from a short list of qualified suppliers. Open advertising is the preferred method.

For using a short list of qualified suppliers, there needs to be a good reason i.e. pre-qualification of suppliers in the case of complex or specialized goods (works) or services that can be supplied by a limited number of suppliers; or advertising expression of interest or open advertisement for the item was conducted during the last 12 months; or in a case of emergency.

To ensure economy and efficiency, the contract is awarded to the supplier who is qualified, responsive (meets all the requirements i.e. specifications, delivery terms, UNDP terms and conditions etc.) and offers the lowest price. No negotiation shall normally take place, since the price (contract value) is the key basis for awarding a contract.

### **2.4. Request for Proposals (RFP)**

Request for Proposal (RFP) is used when the inputs and/or outputs cannot be quantitatively and qualitatively expressed, as for example, when consulting or similar services are sought. RFP may also be used for purchase of complex goods when it is difficult to determine functional specifications without consideration of proposals.

RFP provides for a possibility to conduct consultations with one or several suppliers before the request is accepted. Methods of replies to offerors' queries are described below (see 4.4. herein). The method allows the selection of the proposal that is more responsive to the specified requirements, including price and other factors.

RFP leads to the selection of the proposal that is more responsive to the specified requirements, including price and other factors. Where appropriate, RFP implies that negotiation may be undertaken with respect to one or more proposals prior to the award of a contract.

This method is recommended for all contracts exceeding USD 100,000. This requires adherence to formal procedures. To achieve best value for money and avoid any bias, it is essential to develop a detailed list of evaluation criteria. For guidance refer

to the list of generic evaluation criteria for reviewing technical proposals. This method calls for using the two envelope system i.e. seeking both a technical proposal and a financial proposal in two separate envelopes.

## **2.5. Direct Contracting**

This method is appropriate under the following circumstances:

2.5.1. The value of the procurement is less than USD 2,500. However, it is needed to have sound proof that it is definitely the best price.

2.5.2. There is no competitive market for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation.

2.5.3. There has been a previous determination or there is a need to standardize the procurement requirement.

2.5.4. The proposed procurement contract is the result of cooperation with other organizations of the United Nations system.

2.5.5. Offers for identical requirements have been obtained competitively within the last twelve months and the prices and conditions offered remain competitive.

2.5.6. A formal solicitation conducted within last 12 months has not produced satisfactory results.

2.5.7. There is a genuine exigency for the UNEP/GEF Project requirement.

2.5.8. The proposed procurement contract relates to obtaining services that cannot be objectively evaluated.

2.5.9. The Project Manager otherwise determines that a formal solicitation will not give satisfactory results.

For contracts exceeding USD 30,000, an advance approval of the Executing Agency is necessary before using this method.

## **2.6. Purchasing**

This method is recommended by low value procurement i.e. each contract is less than USD 1,000. This should not be used for procuring goods. In the case of this method it is needed to have sound proof that it is the best value for money.

### **3. Types of Competition**

As a general rule, UNDP uses competition to procure goods, works or services. Such competition may be as follows:

- a) Open International Competition - OIC
- b) Limited International Competition - LIC
- c) Regional or National Competition.

UNDP standard document formats are used (<http://pppue.undp.org/toolkit>).

#### **3.1. Open International Competition (OIC)**

Use of OIC is appropriate for all contracts exceeding USD 100,000. OIC is initiated by an advertisement, which invites interested suppliers to request the solicitation documents from the procuring entity. The advertisement may be published in a publication of wide international circulation, on the UNEP/GEF Project web site and/or on any other relevant websites.

#### **3.2. Limited International Competition (LIC)**

This is limited to a short list of qualified suppliers selected in a non-discriminatory manner. LIC is appropriate where OIC is unsuitable for the economical and efficient procurement because of the value, urgent demand or limited availability of the required goods, works or services.

3.2.1. For complex or specialized goods, works or services, pre-qualification of supplies (contractors) may be undertaken. Only suppliers (contractors) that have been pre-qualified are entitled to participate in further procurement proceedings for the specific requirement. It is an effective way to limit offers to qualified suppliers (contractors). Identical evaluation criteria must be applied to all suppliers (contractors) undergoing the pre-qualification procedures. Criteria of TORs provided in Annex 12 to the Project Document are used for the selection of individual international consultants. The period between the notice of invitation to pre-qualify and the latest date for the return of completed applications should not be less than two weeks.

For the selection of potential contractors the standard pre-qualification form may be used (<http://pppue.undp.org/toolkit>).

When the list of selected suppliers (contractors) has been prepared and approved by the Implementing and Executing Agencies, successful applicants should be notified and requested to confirm their intention to participate in the competition.

3.2.2. Expression of interest is a low cost approach for selecting suppliers by a search in supplier databases, publishing a notice in the UNEP/GEF Project website and/or any other relevant websites. The process is very informal, since the selection is based on assessment of the data provided by the supplier/contractor.

### **3.3. National Competition**

A regional or national competition is conducted under the following circumstances:

- a) the country has a sufficient good base of contractors/suppliers who are ready to timely and diligently fulfil a work / render a service / supply a commodity at the price lower than that on the international market;
- b) a call for a regional or national tender is a special requirement of the Government;
- c) international suppliers/contractors participation is not assumed, for example in the process of Russian consultants selection;
- d) administrative and financial burdens overbalance advantages of an international competition, e.g. supply of services is characterized by a broad geographic distribution or time stretch; or
- e) for low-value contracts (less than USD 2,500).

The criteria speculated in Annex 12 of the UNEP/GEF Project Document are applied in the Russian consultants selection process.

The advertisement regarding national competition may be published in a publication of wide national circulation, on the UNEP/GEF Project web site and/or on any other relevant websites. Direct invitations are also possible.

## **4. Solicitation Documentation**

### **4.1. General**

Solicitation documents are used to request offers for the goods, works or services required. The documentation will include, as appropriate, the following:

- invitation to offer
- instructions to the offerors
- form of the offer requested (bid, proposal or quotation)
- form of the proposed contract
- conditions of contract – both general and special
- technical specifications/Terms of Reference (TOR)/Statement of intended works
- evaluation criteria and minimum qualification requirements.

## **4.2. Types of Solicitation Documents**

Depending on the value and complexity of goods, works and services, it could be one of the following:

- request for Quotation (RFQ)
- invitation to Bid (ITB)
- request for Proposals (RFP).

Model forms of each of the above are given in the Annex hereto and on the UNDP website ([http:// pppue.undp.org/toolkit](http://pppue.undp.org/toolkit)).

## **4.3. Considerations in Preparing Solicitation Documents**

4.3.1. While preparing solicitation documents the following factors should be considered:

- a) Offers may be invited on a lump-sum basis:

When the bidding document covers a large number of low-cost line items, separate purchasing of which would not be advantageous, offerors may be proposed to respond on an item basis or on an “all or nothing” basis.

- b) Grouping of similar items:

Similar items should be grouped, whether or not bids on a group basis are requested. In cases where items are dissimilar, it may be advisable to split the items into separate invitations.

c) Changes in quality requirements:

Where the exact required quality is not known in advance, a definition of quality may be indicated in the invitation.

4.3.2. Letter of Invitation. It is prepared on the UNEP/GEF Project Office letterhead and includes the following:

- Bid description and title
- List of documents
- Date and place of proposal submission and bid opening.

4.3.3. Instructions to offerors should contain detailed requirements of an individual contract. The purpose of the document is to convey information and instructions that allow the preparation, submission and selection of the best offer.

The instructions should contain a list of the documents required for the admission to a tender. Offerors should be informed that their offer will be rejected unless sufficient information is provided.

The offer period depends on the complexity of the item and may vary from 1 week to 6 weeks.

4.3.4. Alternative proposals. Offerors should be informed of whether alternative proposals will be considered or not. If so, the alternative proposal should include full details of specifications and costs in order to allow a fair evaluation of technical and financial aspects of the alternative proposal.

4.3.5. Modifications in bids/proposals. Offerors should be informed that they have the right to modify the submitted proposal or make corrections to it, provided that any such modifications or corrections are made prior to the formal deadline specified for submission of proposals. The proposal thus modified or corrected will be considered as the official offer.

4.3.6. Currencies and payments. Specific instructions should be given concerning the currencies of the contract.

4.3.7. Bid/proposal securities requirement. The amount of bid/proposal security (bank or Insurance company guarantee) is determined on the basis of value and complexity of the contract. It is advisable to apply this requirement to all contracts exceeding USD 300,000 and the amount may be nearly 3% of the estimated contract value. It is usually stated as a specific sum. A standard Bid/Proposal Security Form should be included in the solicitation documents. If a bid/proposal security is requested, any offer that has not been so secured should be rejected.

It is recommended that the period of validity of the security shall also cover the post-tender period sufficient to provide security of the supplier performance under the contract.

4.3.8. Performance securities requirement. A request for security of the supplier performance under the contract is recommended for all high value contracts exceeding

USD 300,000. The performance security in the form of a bank guarantee should be about 10% of the contract amount.

4.3.9. The following checklist is used to assist in the preparation of Instructions for Bidders / Requests for Proposals:

- the language of the offer
- the number of the offer copies required
- the validity period of the offer
- additional documents to be included (e.g. technical description, quality control, etc.)
- a procedure for making addenda to solicitation documents
- a procedure for dealing with queries raised by suppliers
- instructions for packing, labelling and addressing the offer
- circumstances under which alternative offers may be submitted



- date and place of tender opening
- procedures for dealing with arithmetic errors that may be found
- information on the evaluation criteria
- rules relating to disqualification/rejection of offers.

#### **4.4. Offerors' Queries**

Offerors' queries should be handled by correspondence or at a Pre-Bid Conference or by a combination of these methods.

4.4.1. In the case of the correspondence method any query is only to be submitted in writing. The Project Office shall prepare written replies to all queries and dispatch them together with the query formulations to all offerors without disclosing the source of the queries.

4.4.2. With the pre-bid conference method, queries from the offerors are dealt with at a pre-bid/proposal conference where as far as possible oral answers should be given. Representation at the conference is to be limited to two persons from each offeror. Within a reasonable time (fixed in advance) after the conference, a full set of minutes recording both the queries raised and replies given shall be sent to all offerors, whether present at the conference or not.

## **5. Selection of a Company or Individual Consultant**

### **5.1. Option 1 – Competition-Based Selection**

#### ***5.1.1. Preparation of the Procurement***

The Project Office:

- determines requisite information for tender and publishes it in mass media or on the Project website with invitation to the tender.
- verifies the sufficiency of the received information and its conformity with the legislation of the Russian Federation and procurement rules of the Implementing Agency, defines constituents of the Letter of Invitation package to the responded companies or individual consultants specifying the contract format to be used for further processing and agrees the Letter of Invitation with the Implementing Agency;

- dispatches Letters of Invitation, keeps up correspondence and conducts conferences with the offerors.

### **5.1.2. Organization of the Competition**

The Project Office:

- establishes, upon the approval of the Implementing Agency, the Evaluation Committee, arranges the reception, storage and opening of received proposals/bids;
- arranges the work of the Evaluation Committee.

### **5.1.3. Evaluation and Results**

The Project Office:

- provides methodical assistance to the Evaluation Committee and fulfils functions of its Secretariat, which in particular include technical support to the meeting of the Evaluation Committee, collection of filled out personal evaluation tables of the Evaluation Committee members, preparation of summary sheets and of the evaluation report;
- deals with professional and formal aspects of the evaluation report approval by the Implementing and Executing Agencies;
- sends the invitation to contract negotiations to the contract winner.

Competition results are summed up by the Evaluation Committee.

### **5.1.4. Preparation of the Contract**

The Project Office is responsible for formulating the parts of the contract dealing with:

- Terms of Reference including a work plan and timetable;
- reporting with the regard for a possibility to set up an effective schedule of payments;
- list of consultants and sub-consultants;

- duties of the Project Office;
- financial calculations;
- duly authorised persons for the contract (to compulsorily include the contract signing authority);
- dates of contract signing and effectiveness;
- copyright and use of contract outputs and any other information related to professional aspects of the execution of TOR.

The Project Office nominates a representative to negotiate with a prospect contractor, prepares the draft of the contract with appropriate wording in conformity with the requirements of the Russian legislation, UNEP/GEF Project Document, this Guidelines and UNDP Procurement Manual.

#### **5.1.5. Contract Award**

The Project Office:

- delegates its representative for negotiations;
- in the case of successful negotiations, submits the draft contract for the approval by the Implementing and Executing Agencies;
- after revision of the contract to take into account requirements of the Implementing and Executing Agencies, the Project Manager signs the contract.

## **5.2. Option 2 - Direct Contracting**

### **5.2.1. Preparation of the Procurement**

The Project Office:

- formulates TOR for the contract;
- prepares the rationale and agrees the procurement method with the Implementing and Executing Agencies;
- upon approval of the Implementing and Executing Agencies, prepares a request for the submission of technical and financial proposal.

### **5.2.2. Preparation and Conclusion of the Contract**

The Project Office after scrutinising both technical and financial proposals makes final decision about procurement and formalizes the contract. For that it proposes appropriate wording in conformity with the requirements of the Russian legislation, UNEP/GEF Project Document, this Guidelines and UNDP Procurement Manual. The Project Manager signs the Contract in co-ordination with the Executing Agency.

### **5.3. Contract Award Right**

Only Project Manager is entitled to sign the Contracts under UNEP/GEF Project.

The Project Manager, acting on the basis of the letter of attorney issued by the Agent, undertakes purchasing of goods, works and services, including the signing of contracts with Russian and international consultants, members of task teams and working groups and with leading organizations-executors under the UNEP/GEF Project in accordance with approved work plans, budgets and competition results agreed with the Executing and Implementing Agencies.

## **6. Payment for Consulting Services under the Contract**

### **6.1. Payment of Expenditures of International Companies**

The expenditures of international consulting or servicing companies that were awarded the contracts are covered in accordance with the consultancy contracts. All documents presented for payment need to be prepared in accordance with the requirements stipulated by the Project Document and UNEP/GEF procedures related to financial documents. The payment for services performed can be carried out on step-by-step basis if this stipulated by contract. The advance payment in the beginning of works should not exceed 20% of the whole cost of the contract. The final payment will be made after a certificate of acceptance of work has been signed by trial board which is formed by Project Office. Representatives of both Executing and Implementation Agencies are included in the trial board without fail.

Payments to international consulting and servicing companies from GEF funds allocated for UNEP/GEF Project are made directly by UNEP on a basis of a letter issued to Implementing Agency by Project Manager and Project Financial Manager that indicates acceptance of works (as a whole or in part) according to the contract. .

In a case the work of international company has been carried out using donors funds transferred to the special account of the Project Office directly or via Trust Fund

payments for these works are carrying out from this account. Project Office informs Implementing and Executing Agencies about the performed payment.

## **6.2. Payment of Expenditures of International Individual Consultants**

The procedure for payment of expenditures of international individual consultants basically corresponds to the one for international companies described in item 6.1. of these Guidelines. .

## **6.3. Payment of Expenditures of Russian Consulting and Servicing Companies**

The basis for making payments to cover expenditures of a Russian consulting or servicing company is the consultancy or service contract. All documents presented for payment need to be prepared in accordance with the requirements of the legislation of the Russian Federation related to financial documents.

The payment for services performed can be carried out on step-by-step basis if this is stipulated by contract. The advance payment in the beginning of works should not exceed 20% of the whole cost of the contract. The final payment will be made after a certificate of acceptance of work has been signed by trial board, which is formed by Project Office. Representatives of both Executing and Implementation Agencies are included in the trial board without fail.

For making payment on the compensation basis, three interrelated documents signed by a company's authority, his signature to have been authorised by the Project Office, and supporting documents shall be submitted:

- the invoice specifying the total sum called for payment;
- the substantiating calculation showing the total sum adjustment to relevant contract clauses;
- the register of the supporting documents allowing a clear correlation of the supporting documents with the sums specified in the substantiating calculation; copies of the supporting documents attached to the register.

Payment can be only made in the currency of the Russian Federation.

#### **6.4. Payment of Expenditures of Russian Individual Consultants**

The disbursement to cover expenditures of Russian individual consultants can be made on the basis of fixed price or time rate using different forms depending on the type of a contract or agreement, i.e. wage, payment for services rendered by a solo contractor or a free lancer registered as an individual entrepreneur. Payment can be only made in the currency of the Russian Federation.

### **7. Monitoring of the Realisation of Consulting and Related Services**

#### **7.1. Monitoring of the Progress of the Contract Execution**

The Project Office carries out monitoring of the progress of the realisation of consulting and related services and fulfilment of contract terms and conditions during the overall period of the UNEP/GEF Project implementation. For that, it uses:

- progress reports;
- acceptance reports for the accomplished works agreed upon with the Executing Agency;
- details of expenditures.

#### **7.2. Supporting Documents**

Documents to confirm the fact of work fulfilment, in addition to the outcome itself, shall include the acceptance report for the accomplished work.

#### **7.3. Financial Monitoring**

The Project Office implements monitoring of the reconciliation of planned expenditures under the contracts with the budget of the Project Office, ensures the correct formalization of the entire financial documentation, provides transfer of payments under the contracts and keeps records of procured goods and services.

### **8. Report on Procurement Procedures and Purchased Equipment**

#### **8.1. Reporting**

The Project Office maintains reporting on procurement procedures following the standard form stipulated by the Project Document.

## **8.2. Equipment Records Keeping**

The Project Office keeps records of non-expendable equipment (items costing USD 1,500 or more, items to be used more than 5 years, as well as items of attraction such as pocket calculators, cameras, computers, printers, etc.) purchased with GEF funds or with funds of other international donors in the frameworks of the UNEP/GEF Project and submits an inventory of such equipment to UNEP twice a year following the standard UNEP format (Annex XVII to the Project Document). This document is attached to the biannual progress report, indicating description, serial No., date of purchase, original cost, present condition and location of each item. Actual presence of the items included into the inventory should be physically verified by a duly authorised official of the Project Office.

### ***Procurement Procedures***

An open and competitive procurement procedure begins with the promoter's description of its requirements and an invitation to suppliers/contractors to express their interest in the contract and demonstrate their professional capacity to fulfil it.

The promoter then identifies potential suppliers/contractors and invites them to bidding. After the bidding phase, most of procurement systems require a public declaration of the competitors' names and their bid prices and, ultimately, of the successful bidder.

There is a wide variety of procurement procedures available for use in tendering. However, most commonly contracts are awarded as the result of some form of the competitive bidding procedure. Designing a competitive bidding process and getting the best possible result is easiest when characteristics and technical outputs of the product or service required are clearly defined in the bidding documents.

A competitive bidding process generally consists of:

1. Public notification of intention to seek a partner for the provision of goods, works/services, including prequalification or a request for expressions of interest from private companies;
2. Distribution of bidding documents and draft contracts to potential bidders;
3. A formal process for screening potential bidders and finalising a list of qualified bidders;
4. A formal public process for presenting proposals, evaluating them and selecting a winner.

Different procedures for procurement include invitation to tender and request for proposals (through one or two stages).

### **Invitation to Tender**



An invitation to tender is issued when the promoter knows exactly what it wants and how it wants to achieve its goals. In this case, the tender is issued and the lowest bidder is awarded the contract.

### **Request for Proposals**

A Request for Proposals (RFP) is usually used when the promoter knows what it wants to achieve, but would like to use experience, technical capabilities and creativity of prospective partners to identify how the project objectives can best be met.

One of the main differences between an RFP and an invitation to tender is that in an RFP the promoter is looking for value.

The Request for Proposals can be issued through either a one-stage or a two-stage process. The choice depends on the nature of contract and accuracy of the technical specifications and outputs presented for the contract winner selection.

### **One-stage Process**

A one-stage RFP is appropriate in the following circumstances:

- bidders are known to have the capability to be successful partners;
- only a limited number of suppliers have the resources and capabilities to be a successful partner;
- the project must be implemented under a tight timeframe; and/or
- the promoter is not able to spend a large amount of funds on the two-stage process.

### **Two-stage Process**

It is used in the following situations:

- the project is large and complex or of a special nature;
- the required proposal will be time-consuming and expensive for the proponent to prepare;

- qualified firms would not take the time and expense for preparing a response to an RFP if there were too many other firms submitting;
- there is an advantage to initially inviting a large number of firms and then narrowing the field to those most qualified; and/or
- the RFP process will involve the divulgence of confidential information (with a limited number of firms receiving the RFP, the number of people with access to this information can be limited and monitored).

The two-stage RFP process involves an initial stage that screens potential partners. Generally, this first stage involves the issuance of a Request for Expressions of Interest (RFEI) or a Request for Qualifications (RFQ).

### **Request for Expression of Interest - RFEI**

The Request for Expression of Interest is intended to provide the promoter with sufficient information to draft a clear RFP in cases when the promoter did not fully defined characteristics of the project or service to be delivered. The use of an RFEI can assist in two ways:

- it reduces the time and expense involved in evaluating a larger number of proposals; and
- it improves the quality of proposals.

Thus the RFEI is used to gain information to help in drafting the RFP.

### **Request for Qualifications or Pre-qualification – RFQ**

A RFQ is used in situations where the promoter does not know if there are any private sector partners with the resources, experience or interest to undertake the project. Potential participants in the competition are requested to submit information on their companies. It consists of the verification of certain formal requirements, such as adequate proof of technical capability or prior experience. All bidders who meet the pre-selection criteria are admitted automatically to the tendering phase. Bidders should be required to demonstrate that they possess the professional and technical qualifications, financial and human resources, equipment and experience necessary to carry out the project.

## **Procurement Documentation**

The procurement documentation will depend on the type of contract that has been selected. In most cases, the following documentation will be required:

1. Invitation to tender letter
2. Instructions to bidders
3. Bid data sheet
4. Standard forms for technical and financial proposals
5. Terms of Reference
6. Draft contract

### ***Invitation to Tender Letter***

A brief letter inviting pre-qualified firms or consortia to participate in the coming tender.

### ***Instructions to Bidders***

This document provides bidders with the general guidelines and formal rules governing the tender process. These add clarity and transparency in order to clarify bidders' questions prior to the beginning of the formal tender process. It is usually preferable to submit the financial and technical proposals in separate sealed envelopes; evaluation should be a two-stage process, with only the bidders that are qualified technically proceeding to the financial evaluation. This process should be outlined clearly in the instructions to bidders.

### ***Bid data sheet***

The bid data sheet provides clarifications on the general information contained in the instructions to bidders, including: scheduling, submission deadlines, evaluation procedures, logistic support, regulations and so on. Bidders may be required to include in their technical proposal elements such as:

- an understanding of local conditions;

- an understanding of the requirements of the contract;
- information on the equipment and technologies to be used;
- a schedule of activities to reach any performance targets;
- information on the experience and skills of key management and technical staff to be assigned;
- staffing and staff development plans.

There are several alternative selection criteria that may be used to evaluate financial proposals:

- lowest tariff or volumetric fee;
- value of investments to be made by the bidder, given a pre-set tariff;
- fixed fee;
- incentive compensation for the achievement of pre-defined targets; or
- a combination of the above.

### ***Standard Forms for Technical and Financial Proposals***

In order to ensure that bids are both responsive to the Terms of Reference and easy to compare and evaluate, the tender documents commonly include a set of standard forms that all bidders must use in submitting their proposals. These typically include:

- bid forms and price schedules;
- a bid security form;
- a form of contract agreement;
- performance security forms; *and*
- a bank guarantee form for advanced payment.

### ***Terms of Reference (TOR)***

The Terms of Reference may include general background information on the service area as well as the specific scope of work. This document supplies much of the information required by the bidder and provides bidders with more information on work and certain circumstances, which may appear during the bid or negotiation stage. Much of the work in the closing of a transaction can be done more efficiently if the information provided in the Terms of Reference has been properly researched, assessed and described. Bidders also appreciate a full TOR, as it enables them to assess quickly the merits of a project.

### ***Draft Contract***

A draft contract may be included in the tender documents; if so, it will greatly reduce the time required carrying out negotiations with the preferred bidder. A draft contract is an detailed document, which covers the following:

- it ensures that all of the many legal protections are met, including representations, warranties, indemnifications, terms and all applicable laws and regulations;
- it ensures that all proposals address all aspects of the project that are important to the government, such as financial structures, social guarantees, investment guarantees and so on;
- it ensures all investors submit proposals in the same format to make them clearly comparable for evaluation purposes; and
- it makes the tender process, the proposal evaluation process and especially the negotiation process most efficient.

The draft contract is particularly important if negotiations are to begin with baseline conditions that are acceptable to the government. If contractors are allowed to propose their own agreements and conditions, it is much more difficult to later negotiate and change an agreement.

In addition to the above, tender documents commonly include annexes:

### **Process of Evaluation**

***A one-stage proposal evaluation*** uses two initial screens:

- 1) Proposals are evaluated for their mandatory requirements. If any of these requirements have not been met, the potential partner can be eliminated from the list of bidders;
- 2) Proposals that do not adequately and clearly demonstrate financial or managerial capability or previous experience can also be eliminated, further reducing the list of bidders.

Once the proposals have been through these two screens, a shortlist will have been created. The proposals that remain can then be evaluated based on the criteria set out in the Request for Proposals (RFP).

***A two-stage proposal evaluation*** deals with all of the submissions will have been received from participants who have already been shortlisted through the Request for Expression of Interest (RFEI) or Request for Qualification (RFQ) process. Members of the evaluation team may score the projects individually, and then aggregate the scores, or they may score each project together by consensus.

As in the case of the one-stage proposal evaluation, a specific number of the highest ranked submissions will be shortlisted to receive a Request for Proposals (RFP).

As a matter of courtesy to potential partners eliminated in the RFEI or RFQ process, a meeting with unsuccessful proponents should be held on request to discuss why they were not shortlisted. This session is important as it provides access and answers to questions for unsuccessful applicants as well as with a better understanding of the tendering for the next time. It will also improve the quality of submissions in the future, as more participants will have a greater understanding of the tender process and its requirements.

## **Evaluation Criteria**

Bidders are evaluated through two stages: first, technical proposals and then price proposals are evaluated.

The quality evaluation of proposals may be based on different criteria:

- previous experience of the bidder;
- mode of the proposed solution;
- personnel capacity of the bidder;
- knowledge transfer;
- local concerns relating to the personnel representation by citizens of this country.

Each criterion is evaluated on the basis of the 100-score scale. The marks are then rated and each criterion is assigned a score (the sum of scores by all criteria is 100).

Basic criteria may be divided into sub-criteria, e.g. individual consultants may be graded using the following three sub-criteria:

- qualification: general and special education, operational experience, current position, record of work in a consulting firm, etc.;
- conformity to specific requirements: education, record of work in the specific area, etc.;
- experience of work in the region: knowledge of local conditions, administration, etc.

In the evaluation of price proposals landed price should be converted into a single currency selected by the promoter. The Request for Proposals should indicate the currency and conversion conditions for the evaluation of proposals. The term “Cost” here implies all reimbursable costs such as estimates of travel expenses, translation services, preparation of reports or secretary’s fees, and does not include local taxes. For selection purposes, the lowest evaluated bidder may be scored at 100 points and other proposals may be scored inversely as the landed price.

The total score will be the sum of scores received for both technical and price proposals with consideration of weighting coefficients. The selection of weighting coefficients should take into account the complexity of a project and the significance

of its technical characteristics. Weighting coefficients for both quality and cost scoring should also be specified in the Request for Proposals. The offeror whose proposal meets the maximum score based on both technical and price evaluations is invited for negotiations.

### ***Procedure for Procurement of Consulting Services for Strategic Action Programme (SAP) Preparation,***

Strategic Action Programme development process should be started just after 1<sup>st</sup> Steering Committee meeting.

According to the Project Document, Task Team under chairmanship of Executing Agency, comprising 1 representative of Executing Agency, 13 Russian experts (including representatives of 5 federal agencies, 4 regional administrations, 3 companies of all forms of ownership and 1 of indigenous peoples) and 3 international experts should be created for SAP development.

SAP development for Arctic region is a very specific activity and a number of well-recognised specialists are quite limited. There is no need to organise special bid to procure consulting services for the SAP development. For this specific activity the following procedure will be involved:

1. Russian consultants who meet the requirements articulated in Annex 12 of the Project Document are nominated by corresponding federal and regional institutions, companies and RAIPON. All the nominees should produce all necessary information regarding their qualifications and working experience. The final list of selected consultants will be approved by Executing and Implementing Agencies.
2. International consultants funded by GEF who meet the requirements articulated in Annex 12 of the Project Document are nominated by Implementing and Executing Agencies and finally selected on the base of consensus. All the nominees should produce all necessary information regarding their qualifications and working experience.
3. International consultants for donors' funds are nominated by donors, Partner Agencies and Executing Agency in addition to consultants funded by GEF. All the nominees should produce all necessary information regarding their qualifications and working experience. The final list of candidates should be approved by Implementing and Executing Agencies.



The above is a transparent procedure that allows avoiding wasting time especially at the initial stages of the Project. Supervisory Council can be also involved as an additional quality checker of the consulting services procurements.

The Executing organisation in coordination with Implementing organisation can apply this procedure for selection of Russian and international consultants for other Project Components if necessary.

STEERING COMMITTEE  
of the UNEP/GEF Project  
“Russian Federation – Support to the National Programme of Action for the  
Protection of the Arctic Marine Environment”

1st Meeting  
Moscow, Russian Federation  
November 14 - 16, 2005

STC 1/7

## **Item 7 of the Agenda**

### **Procedure of Disbursement of Donor Funds Channelled to the Special Currency Account of the Project Office and Relevant Reporting**

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Status: Approved by the 1<sup>st</sup> meeting of the Project Steering Committee

# **Procedure of Disbursement of Donor Funds Channelled to the Special Currency Account of the Project Office and Relevant Reporting**

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## **1. Introduction**

1.1. The UNEP/GEF Project “Russian Federation – Support to the National Programme of Action for the Protection of the Arctic Marine Environment” (hereinafter UNEP/GEF Project) is implemented in accordance with the Project Document signed on July 18, 2005. The Executing Agency for the UNEP/GEF Project is the Ministry of Economic Development and Trade of the Russian Federation and the Implementing Agency is the United Nations Environment Program (UNEP). The Advisory Committee on Protection of the Sea (ACOPS) and Nordic Environment Finance Corporation (NEFCO) are designated as Partner Agencies with the functions set out in Annex X to the Project Document.

1.2. Pursuant to the Project Document, the Project Office established in Moscow executes current operations relating to the UNEP/GEF Project implementation and operates a special Currency Account of the UNEP/GEF Project.

1.3. The UNEP/GEF Project has three sources of funding:

- GEF funds;
- funds of the Russian Federation (in cash and in kind);
- funds from other co-financing countries and organisations (donors).

The procedure of disbursement of the GEF and Russian Federation funds and relevant reporting has been defined by the Project Document. Donor funds for the purposes of the UNEP/GEF Project implementation, if and when the donors wish, may be sent to the Currency Account of the Project Office or channelled through the Trust Funds established by the Partner Agencies. Donors shall officially notify the Executing Agency, Implementing Agency and respective Partner Agency of the way they will have selected for channelling their funds for the UNEP/GEF Project implementation.

1.4 This document determines the disbursement and relevant reporting procedure for donor funds transferred directly to the Project Office. The document has to be approved at the first meeting of the Project Steering Committee.

## 2 Procedure of Disbursement of Donor Funds and Relevant Reporting

2.1. Donor funds sent directly to the Currency Account of the Project Office shall be disbursed and reported in accordance with the disbursement and reporting procedure for the GEF Funds stipulated by the Project Document.

**2.2.** The Executing Agency and the donor having chosen this manner for channelling its funds for the purposes of the UNEP/GEF Project implementation will sign the agreement, which, in particular, shall provide for the following:

- donor's consent to channel its funds for the UNEP/GEF Project implementation to the Currency Account of the Project Office;
- donor's consent to participate in co-financing of the implementation of the entire UNEP/GEF Project or its individual components in accordance with work plans approved by the Steering Committee and on the basis of the amount of funds allocated by the donor;
- a specific organisation or person to represent the donor, with which the Project Office will be interacting relative to drafting of work plans, disbursement of donor funds and relevant financial reporting, and other issues within the scope of the UNEP/GEF Project implementation;
- submission to the Executing Agency of copies of the entire correspondence between the Project Office and the donor, quarterly applications of the Project Office for co-financing and its reports on expenditure of donor funds;
- legal responsibility of the Executing Agency for target disbursement of the donor funds received in the Currency Account of the Project Office.

