

**BDS01-125
NDEP-02/50 Rev.1
30 November 2005**

RULES
of
THE NORTHERN DIMENSION ENVIRONMENTAL PARTNERSHIP
SUPPORT FUND

Dated: 10 January 2002

TABLE OF CONTENTS

PREAMBLE	1
ARTICLE I - THE FUND	3
SECTION 1.01. ESTABLISHMENT OF THE FUND	3
SECTION 1.02. PURPOSE OF THE FUND	4
SECTION 1.03. COMMENCEMENT OF OPERATIONS	4
SECTION 1.04. APPLICATION OF RULES	5
SECTION 1.05. ADMINISTRATION OF THE FUND.....	5
ARTICLE II - RESOURCES OF THE FUND	5
SECTION 2.01. RESOURCES AND EXPENDITURE	5
SECTION 2.02. CONTRIBUTIONS.....	5
SECTION 2.03. PAYMENT OF CONTRIBUTIONS.....	6
SECTION 2.04. SEPARATION OF RESOURCES	7
SECTION 2.05. DONATIONS	7
ARTICLE III – PRINCIPLES AND GOVERNANCE	7
SECTION 3.01. GENERAL PRINCIPLES	7
SECTION 3.02. ASSEMBLY OF CONTRIBUTORS.....	8
SECTION 3.03. ADMINISTRATIVE SUPPORT BY THE MANAGER.....	10
SECTION 3.04. COMPENSATION FOR THE MANAGER	12
SECTION 3.05. IMPLEMENTING AGENCIES.....	12
ARTICLE IV - OPERATION OF THE FUND	13
SECTION 4.01. INVESTMENT.....	13
SECTION 4.02. PAYMENT OF MANAGER’S COMPENSATION AND EXPENSES.....	13
SECTION 4.03. VALUATION OF CURRENCIES	13
SECTION 4.04. ACCOUNTS AND AUDIT	13
SECTION 4.05. PROCUREMENT	14
ARTICLE V - TERMINATION	15
SECTION 5.01. TERMINATION.....	15
SECTION 5.02. DISPOSAL OF RESOURCES ON TERMINATION.....	15
ARTICLE VI - AMENDMENTS	16
SECTION 6.01. AMENDMENTS	16

RULES OF THE NORTHERN DIMENSION ENVIRONMENTAL PARTNERSHIP SUPPORT FUND

PREAMBLE

WHEREAS in December 1999, the European Council launched the Northern Dimension as demonstration of regional cooperation;

WHEREAS a number of countries is engaged with important bilateral contributions for environmental projects in the Northern Dimension, and a comprehensive multilateral approach is still missing;

WHEREAS in March 2001 the Nordic Investment Bank, at the invitation of the Swedish EU Presidency, hosted a meeting in Helsinki with participants from international financial institutions with activities in the Northern Dimension Area (NDA), Sweden, Belgium, Finland and the European Commission, and at the meeting it was proposed that a Northern Dimension Environmental Partnership (NDEP) be established to strengthen and co-ordinate financing of important environmental projects with cross-border effects in the NDA;

WHEREAS in particular the enormous legacy of environmental damage in Northwest Russia, including Kaliningrad, with cross-border consequences for Europe calls for an extraordinary concerted effort by the Russian Federation and the international community;

WHEREAS a working group under the chairmanship of the European Bank for Reconstruction and Development and Sweden developed a framework for such a partnership among international financial institutions, transition countries, in particular the Russian Federation, and grant Contributors and their agencies; and this framework was endorsed at the EU summit in Gothenburg in June 2001;

WHEREAS a number of donor countries and the European Commission have entered into negotiations with the Russian Federation to establish a framework facilitating cooperation in the area of safety of spent nuclear fuel and radioactive waste management in the Russian Federation, referred to as the "Multilateral Nuclear Environmental Programme in the Russian Federation" (MNEPR);

WHEREAS assistance under the MNEPR may be provided through Implementing Agreements between one or more Recipients and several Contributors whereby a common financing arrangement will be established (multilateral fund mode);

WHEREAS the NDEP has two main elements:

(a) The Steering Group, consisting of representatives of the international financial institutions - EIB, EBRD, NIB, and the World Bank Group -, the Russian Federation, and the European Commission; to supplement the existing expertise and building on the principle of inclusions it will invite representatives of other organisations. Together with representatives of the country (or countries) where NDEP projects are being considered and other participating organisations, the main task of the Steering Group is to prioritise among the most urgent environmental and nuclear clean-up projects in the NDA, and to facilitate the co-ordination and financing of those projects. These projects require the blending of loans and grant financing from a number of different financing sources as well as local financing. The objective is to seek the best possible financing solution for each project. For nuclear clean-up projects, the Steering Group works in close coordination with the MNEPR Committee established under the MNEPR Agreement.

(b) The NDEP Support Fund, which is designed to pool grant contributions for NDEP projects and to ensure a harmonised and effective delivery of international support over several years. It is to be the mechanism for attracting resources from the European Commission and a wide group of contributing countries, including the Russian Federation, and to channel such funds into those environmental projects being prioritised by the NDEP Steering Group and approved by the Contributors to the Fund.

WHEREAS the Steering Group has identified 13 potential priority projects with a volume of € 1.3 billion for financing by the international financial institutions under conditions of additional grant support from Contributors to the Fund, and projects for clean up of waste from nuclear submarines are in the process of being defined. A number of these projects will be beneficial in terms of the intention of the Kyoto Protocol of reducing the emission of green house gases.

WHEREAS the European Commission and the Russian Federation is organising a Pledging Conference for the Fund in January 2002.

WHEREAS the Bank has been requested to establish the Fund following the rules set forth below (herein called the 'Rules');

WHEREAS this Fund will be governed by an Assembly of Contributors providing strategic guidance, in a manner compatible with the Rules, and a Fund Manager will manage and administer the Funds on behalf of the Contributors in cooperation with the core international financial institutions participating in the NDEP Steering Group as implementing agencies of NDEP projects;

WHEREAS therefore the management of this Fund will be undertaken against a complex background situation of numerous actors with a variety of roles and responsibilities;

WHEREAS the European Bank for Reconstruction and Development (herein called the “Bank” or the “Manager”) has been created by the Agreement Establishing the European Bank for Reconstruction and Development, dated 29 May 1990 (herein called the “Agreement establishing the Bank”) to assist certain members of the Bank which are recipient countries (herein called the “Countries of Operations”);

WHEREAS the Bank is empowered under Article 20.1 (viii) of the Agreement establishing the Bank to conclude with public or private entities agreements of co-operation under which the Bank administers funds provided by such entities for purposes consistent with the purpose and functions of the Bank.

ACCORDINGLY, the Board of Directors of the Bank has established the Fund and accepted the administration of the Fund by the Bank in accordance with the present Rules.

ARTICLE I - THE FUND

Section 1.01. Establishment of the Fund

The Fund is hereby established as of the date on which these Rules are approved by the Board of Directors of the Bank. These Rules shall thereupon enter into force.

Section 1.02. Purpose of the Fund

(a) The purpose of the Fund is to accept and make use of grant funds provided by Contributors for the provision of project preparation and implementation assistance and investment co-financing in support of priority projects addressing severe damage in the environment and lack of energy efficiency, which are largely a legacy of the former planned economy period and which have cross-boundary impacts. The projects will be situated in the Northern Dimension Area (NDA), in particular Northwest Russia, including Kaliningrad.

(b) A specific purpose of the Fund is to support projects addressing the severe risks of nuclear pollution in the Russian NDA through nuclear safety related projects.

(c) Projects eligible for support have to be approved by the Assembly of Contributors after being proposed by the NDEP Steering Group in an order of priorities. In the case of project proposals suggested by individual Contributors, the Manager will ask the Steering Group to provide its evaluation and prioritisation prior to decisions by the Assembly. In this context, the Fund would represent the "multilateral fund mode" provided for in the MNEPR Agreement.

(d) The Fund is also to pay for the costs and expenses arising from or in connection with the carrying out of such activities and incurred in accordance with Section 3.0.4.

Section 1.03. Commencement of Operations

The Fund will begin its operations and the first meeting of the Assembly of Contributors will be called by the Manager once two conditions are in place.

(a) A minimum number of five Contributors, including the Russian Federation, must have entered into Contribution Agreements. Notwithstanding this provision, the Fund Manager may receive the contribution of a Contributor and may invest this contribution prior to and in awaiting of the commencement of operations in order to accumulate the Fund's means under conditions to be specifically laid down in their Contribution Agreements.

(b) Contributors must have entered into Contribution Agreements totalling at least Euro 100 million.

Section 1.04. Application of Rules

The Fund and its resources shall be governed by, and such resources shall be received, administered, used and disposed of in accordance with the Rules.

Section 1.05. Administration of the Fund

The Fund and its resources will be administered by the Manager acting on behalf of the Contributors and in accordance with the provisions of the Rules and other guidelines adopted by the Assembly of Contributors in accordance with the Rules.

ARTICLE II - RESOURCES OF THE FUND

Section 2.01. Resources and Expenditure

The resources of the Fund shall consist of:

(a) amounts accepted by the Manager for inclusion in the Fund pursuant to Sections 2.02 and 2.03;

(b) income derived from investment of the resources of the Fund in accordance with Section 5.01;

Unless otherwise approved by the Assembly of Contributors, commitments for expenditure will only be made on the basis of grants and budgets approved by the Assembly of Contributors in accordance with the Rules.

Section 2.02. Contributions

- (a) Any member of the Bank and any interested country may contribute funds (a "Contribution") to the Fund. Upon establishment of the Fund, such funds shall be contributed pursuant to an agreement ("Contribution Agreement") between such member of the Bank or country (a "Contributor") and the Manager, and shall specify the amount committed, the currency, the year or years of such Contributions and the manner in which payments thereof shall be made to the Manager. The Contribution Agreement shall, in principle, follow the standard format set out in Annex 1 and may contain such other matters as may be required or permitted by the Rules.
- (b) For any increase of existing contributions or any contribution by a new Contributor to the Fund after the commencement of operations according to Section 1.03, the Contribution Agreement shall also be approved by the Assembly of Contributors.
- (c) Subject to adjustment by the Assembly of Contributors, the minimum initial amount of a Contribution Agreement is Euro 10 million over a period of five years.
- (d) By entering into a Contribution Agreement, the Contributor shall be deemed to accept the application of the Rules to the resources contributed under such Contribution Agreement.
- (e) Several countries may enter into a single Contribution Agreement with the Bank. In this case, their respective obligations to pay Contributions shall be several, unless the relevant Contribution Agreement specifies otherwise.
- (f) Contributions may not be earmarked for specific projects. However, Contributions may be earmarked in part for the purpose of the Fund specified in Section 1.02, paragraph (b).
- (g) A Contributor may at any time propose an increase in the amount of its Contribution. Such an increase will be effected by amending the relevant Contribution Agreement or by entering into another Contribution Agreement. The provisions of these Rules relating to Contributions shall apply equally to increased amounts so contributed.

Section 2.03. Payment of Contributions

- (a) Each Contribution shall be denominated in Euro or any other freely convertible currency and shall be made available to the Manager in cash or in promissory notes or other obligations issued by the Contributor. Such notes or obligations shall be non-negotiable, non-interest bearing and payable to the Manager at par value upon demand. Calls for payment shall be made as required to meet disbursements for the subsequent six months, or for an alternative period as determined by the Assembly of Contributors as described in Section 3.0.2.

(b) A Contribution Agreement may provide for the settlement of payment obligations of the Contributor in a currency (as specified in Section 2.03(a)) other than Euro on the basis of the average exchange rate of such currency in terms of Euro as determined by the Manager for the period from 1 June 2001 to 30 November 2001 inclusive, or such other period as may be determined by the Assembly of Contributors.

(c) All payments not made in Euro will be converted upon receipt into Euro.

Section 2.04. Separation of Resources

(a) The resources of the Fund shall be separate from the ordinary capital resources of the Bank and from the Special Funds resources of the Bank as such terms are defined or referred to in the Agreement establishing the Bank.

(b) Under no circumstances shall the ordinary capital resources of the Bank or the Special Funds resources of the Bank be charged with, or used to discharge, losses or liabilities arising out of the operations or other activities for which resources of the Fund were originally used or committed.

Section 2.05. Donations

The Bank may accept for inclusion in the Fund monetary contributions in Euro or other freely convertible currency ("Donations") from any member of the Bank and any interested country ("Donors") for the purposes of the Fund and inform the Assembly upon acceptance of such donation. Donations made in currencies other than Euro will be recorded in Euro at the relevant rate of exchange at the date of receipt. The Bank shall provide the Donor with a copy of the annual report of the Fund and may identify Donors in the Report upon their request.

ARTICLE III – PRINCIPLES AND GOVERNANCE

Section 3.01. General Principles

(a) The activities of the Fund shall be administered by the Manager on behalf of and under the supervision of the Assembly of Contributors and in accordance with the Rules.

(b) The Fund will co-ordinate its activities with bilateral direct financial assistance programmes administered outside this Fund.

(c) No project will be undertaken without the consent of the recipient country.

Section 3.02. Assembly of Contributors

The Assembly of Contributors shall be the governing body of the Fund. It shall be responsible for the overall policy of the Fund and will supervise its implementation.

- (a) In particular, the Assembly of Contributors shall:
- (1) determine the principal orientations and strategies of the activities financed or to be financed with the resources of the Fund and generally supervise their implementation by the Manager;
 - (2) authorise grants financed from the resources of the Fund;
 - (3) monitor the payment of the committed Contributions to the Fund, having regard to project implementation and disbursements;
 - (4) review the effectiveness of the activities financed with the resources of the Fund;
 - (5) approve the annual budget and financial statements of the Fund;
 - (6) discuss and endorse guidelines to be prepared by the Manager on the basis of existing practises, including:
 - (i) guidelines for payment of promissory notes pursuant to Section 2.03(a);
 - (ii) guidelines for the management of the liquid assets of the Fund;
 - (iii) implementation and monitoring guidelines (Operations Manual, Disbursement Handbook etc.);
 - (7) monitor disbursements of grants by the Manager;
 - (8) determine whether there are special circumstances that would make it appropriate to authorise procurement from sources other than those referred to in Section 4.05;
 - (9) provide guidance to the Manager in the carrying out of its function in accordance with Section 3.03;
 - (10) review on an annual basis the procurement actions in respect of contracts financed by the Fund, including the distribution of procurement;
 - (11) approve the work programmes for the activities of the Fund;

- (12) ensure that the appropriate visibility is given to the activities financed by the Fund, taking into account the needs of the various Contributors; and
- (b) Each Contributor shall have the right to be represented in the Assembly of Contributors and to participate in its meeting provided that such Contributor has, at the date of the meeting of the Assembly, met its obligations under its Contribution Agreement.
- (c) Each Contributor shall have the right to be represented in the Assembly of Contributors by one representative, who shall serve at the pleasure of such Contributor without remuneration from the Fund. Each representative can be accompanied by advisory staff also without remuneration from the Fund. Participants to the Assembly of Contributors will cover their own costs of participation. An individual may at the same time serve as representative of more than one Contributor in the Assembly of Contributors if such Contributors shall have so agreed and notified the Manager and the Assembly of Contributors in advance.
- (d) The Assembly of Contributors shall hold a regular annual meeting at which the financial statements for the previous fiscal year of the Fund shall be submitted for approval. The Assembly of Contributors may also decide to hold other meetings as necessary or expedient. Special meetings of the Assembly may be called by the Chair at any time or shall be called by the Chair if so decided by the Assembly, or at the request of the Manager or Contributors which account for not less than one-third of the aggregate amount of all Contributions to the Fund at the date of such request.
- (e) The representative of the largest Contributor as of the date of commencement of operations of the Fund shall be the first Chair. The Chair will hold office until the Assembly of Contributors votes for a succeeding Chair.
- (f) Contributors representing not less than one-half of the aggregate amount of all Contributions shall constitute a quorum at meetings of the Assembly of Contributors.
- (g) The Chair may invite representatives of governments, other institutions and entities to attend specific agenda items of meetings of the Assembly of Contributors as observers.
- (h) When not specified otherwise in these Rules, decisions of the Assembly of Contributors shall be adopted by consensus.
- (i) If failure by a Contributor to meet its obligations under its Contribution Agreement shall, in the judgement of the Chair, materially interfere with or prejudice the operations of the Fund, the Chair shall call a special meeting of the Assembly of Contributors to consider the taking of appropriate measures.
- (j) The meetings of the Assembly of Contributors shall be held at the Manager's headquarters or in such other place as may be agreed between the Chair and the Manager.

(k) The Manager shall be present at the meetings of the Assembly of Contributors in his capacity as Manager of the Fund in fulfilment of his responsibilities under these Rules.

(l) The implementing agencies of the NDEP projects supported by the Fund pursuant to Section 3.05 will attend meetings of the Assembly of Contributors.

(m) The Assembly of Contributors will decide on its own Rules of Procedure in line with the present Rules.

(n) For the fund purpose described in section 1.02 (b), the Assembly may establish an Operating Committee and/or other subsidiary bodies to carry out such functions as the Assembly may determine with respect to the operation and supervision of the Fund. The powers, functions and membership of an Operating Committee or other subsidiary bodies shall be determined by the Assembly pursuant to these Rules.

Section 3.03. Administrative Support by the Manager

(a) The Manager shall administer the Fund and shall provide, within approved budgets, administrative support to the Fund. In particular, the Manager shall fulfil its role by:

(1) making available Manager staff and other experts with the skills and competence required to administer the Fund;

(2) preparing, making, disbursing and administering funding agreements, making calls for payment of promissory notes as required to make disbursements, and otherwise operating the Fund in accordance with the provisions of the Rules;

(3) liaising, to the extent necessary to fulfil its managerial role, with the Contributors, the Government of the recipient country, concerned authorities and utilities in the recipient country and other public and private entities and reporting thereon to the Assembly of Contributors;

(4) preparing annual financial statements of the Fund and a report on such financial statements and on the activities financed with the resources of the Fund during the period covered by such statements for review and approval by the Assembly of Contributors;

(5) preparing the meetings of the Assembly of Contributors and serving as secretariat of such meetings;

(6) drawing up work programmes of activities of the Fund and transmitting project proposals from the NDEP Steering Group or individual Contributors - after evaluation by it - for approval by the Assembly;

(7) submitting to the Assembly of Contributors all necessary reports and technical documentation, including an Annual Report. Such reports will provide a comprehensive overview of the implementation of the Fund's programme.

(8) the Manager will ensure that in its publications (Annual Report, newsletters etc.), in its communications with the recipient country and the media, as well as on the construction sites established for projects implemented with the support of the Fund, appropriate visibility is given to the Fund and its Contributors; due account will be taken of the relative size of contributions to the Fund when developing and implementing the visibility policy of the Fund;

(10) carrying out such other functions as may be necessary for the efficient administration of the Fund, except for functions, which pertain to the competence of the Assembly of Contributors and have not been delegated to the Manager.

(b) The Manager may adopt such internal operating procedures, compatible with the Rules, as shall be considered necessary or appropriate for the efficient administration of the Fund.

Section 3.04. Compensation for the Manager

(a) For the administrative support of the Fund in the non-nuclear area the Manager shall receive a fixed fee of 2% of the total amount of funding paid into the Fund for such activities.

(b) For the management of projects in the nuclear area, if done by the Bank, the Manager shall receive full compensation from the resources of the Fund for all costs and expenses incurred by it, including the fees and expenses of consultants engaged by the Manager. Compensation shall be on the basis of annual budgets approved by the Assembly of Contributors pursuant to paragraph (a) (5) of Section 3.02.

(d) The compensation arrangements in this section shall be subject to Section 2.04 and shall under no circumstances entail the use of ordinary capital resources of the Bank to finance or subsidise Fund activities.

Section 3.05. Implementing Agencies

The international financial institutions that are the core members of the NDEP Steering Group - EIB, EBRD, NIB, and the World Bank Group - shall act as Implementing Agencies of the NDEP Fund. The Implementing Agency, (other than EBRD) which is leading a project, will enter into a funding agreement with the Manager which will regulate the provision of NDEP funds for specific projects as approved by the Assembly. Each Implementing Agency will prepare a Grant Agreement between itself as Implementing Agency and the local recipient of NDEP funds and will monitor its implementation.

To the extent practicable, each Implementing Agency shall co-ordinate with the Manager the form of Grant Agreement used by it in order to ensure consistency of the format and structure of NDEP Fund financing.

In projects where EBRD is the Implementing Agency, the Bank fulfils this role in accordance with these rules.

ARTICLE IV – OPERATION OF THE FUND

Section 4.01. Investment

The Manager may invest any resources of the Fund, which are not immediately required for use. Except as otherwise authorised by the Assembly of Contributors, investments shall be made in accordance with investment guidelines prepared by the Manager and approved by the Assembly of Contributors. The income derived by the Fund from such investments shall be added to the resources of the Fund.

Section 4.02. Payment of Manager’s Compensation and Expenses

The compensation due to the Manager pursuant to Section 4.04 shall be charged to the Fund and paid to the Manager quarterly, promptly after the end of the calendar quarter to which it relates.

Section 4.03. Valuation of Currencies

Except as provided in Section 2.03, whenever it shall be necessary for purposes of preparation or presentation of financial statements to determine the value of any currency in terms of another currency or of the unit of account of the Manager, the valuation shall be made by the Manager, using the same principles as the Manager applies for its ordinary operations.

Section 4.04. Accounts and Audit

(a) The Manager shall maintain the accounts of the Fund in Euro in accordance with the same accounting principles, which it follows in respect of its own books, and accounts.

(b) The financial statements of the Fund shall be audited on an annual basis before the end of June of the following year by internal and external auditors of the Manager in a manner consistent with that applied to the Manager’s ordinary capital resources. The costs of the audit shall be paid from the administrative support fee referred to in Section 3.04.

(c) In case Contributors are subject to specific auditing requirements under their respective statutes, their Contributions may be subject to auditing requirements that shall be agreed under the respective Contribution Agreement.

(d) The fiscal year of the Fund shall be the calendar year. The first fiscal year of the Fund shall end on 31 December [2002].

Section 4.05. Procurement

(a) Procurement of contracts financed from the resources of the Fund will be administered by the relevant Implementing Agency, following its own procurement guidelines. Subject to paragraph (c) below, procurement shall be limited to goods and services produced in or supplied from the countries of the Contributors or the Countries of Operations of the Bank (see Annex 2).

(b) The Manager will review and report on the balance of procurement of the various Contributors. The Manager, with the assistance of the Contributors, shall further endeavour to address possible imbalances in the distribution of procurement, provided that such endeavours do not contravene the procurement rules applicable to the Fund.

(c) Upon proposal by the Fund Manager, the Assembly may determine whether there are special circumstances that would make it appropriate to authorise procurement from sources other than those referred to in this Section.

Section 4.06. Fraud and Corruption

(a) The Manager shall take appropriate measures to prevent irregularity, fraud or corruption relative to the use of the resources of the Fund. Without limiting the generality of the foregoing, the Manager undertakes to ensure that the provisions of this Section also apply to any Recipient of resources of the Fund as well as to the employees, contractors, sub-contractors, and agents etc of such Recipient, and shall include reference to these provisions in the specific Grant Agreements to be concluded between the Manager and any Recipient. The Recipient shall be required to include similar provisions in all of its contracts with its contractors, subcontractors and agents funded with resources of the Fund.

(b) All cases of irregularity, fraud or corruption shall be reported to the Assembly of Contributors. All costs and expenses incurred by the Manager relative to any inquiry into possible acts of irregularity, fraud or corruption, including the costs and expenses of an independent investigator, shall be compensated in accordance with the provisions of Section 3.04 of the Rules.

(c) In the event a case of irregularity, fraud or corruption is reported to the Assembly of Contributors, the Assembly of Contributors may decide to terminate any Grant Agreement where the Recipient or any employee, contractor, sub-contractor or agent of the Recipient is reasonably suspected or found to have committed the irregularity, fraud or corruption. In such event, and where possible, the Manager will institute such procedures as are necessary or appropriate to seek the recovery of the resources of the Fund related to such fraudulent or corrupt behaviour or practice.

(d) Any amounts of the Fund so recovered shall be added to the resources of the Fund.

ARTICLE V – TERMINATION

Section 5.01. Termination

- (a) The Fund shall remain in force until 15 November 2012 unless otherwise extended by a decision of the Assembly of Contributors or is terminated in accordance with paragraphs (b) and (c) below.
- (b) Notwithstanding paragraph (a) above, the Fund may be terminated at any time by a decision of the Assembly taken with the unanimous consent of Contributors.
- (c) This Fund shall terminate automatically upon termination by the Manager of its operations pursuant to Article 41 of the Agreement establishing the Bank.
- (d) The Manager may cease to perform the functions conferred upon it pursuant to these Rules at one year's notice after consultation with the Assembly and pursuant to a decision of the Board of Directors of the Manager. It shall do so if directed pursuant to a resolution of the Assembly of Contributors.

Section 5.02. Disposal of Resources on Termination

Upon termination of the Fund, the following provisions shall apply with respect to the resources of the Fund:

- (a) The Manager shall forthwith cease all activities relating to such resources, except those incidental to the orderly realisation, conservation and preservation of such resources and the settlement of the direct or contingent obligations to which they may be subject.
- (b) Subject to subsection (c) below, the Manager shall distribute the Total Net Assets of the Fund (total net assets of the Fund as shown on the accounts of the Fund as of the date of termination) to the Contributors in proportion to the amounts each made available to the Fund. Such distribution shall be effected at such times, in such currencies and in such types of assets as the Assembly of Contributors shall deem fair and equitable, preferably in the currency in which the respective Contributions were made. Distribution need not be uniform as to type of asset or as to currency.
- (c) No distribution shall be made until all liabilities of the Fund (including payments due to the Manager) shall have been discharged or provided for, and until the Board of Directors of the Bank shall have decided that such distribution should be made. Any distribution to a Contributor shall be subject to prior settlement of all outstanding claims by the Manager against such Contributor in respect of its Contribution.

(d) Until final distribution of the assets of the Fund, all rights and obligations of the Manager and of the Contributors under these Rules and the relevant Contribution Agreement shall continue unimpaired.

ARTICLE VI – AMENDMENTS

Section 6.01. Amendments

These Rules may be amended only pursuant to a unanimous decision of the Assembly of Contributors. Amendments of the Rules shall enter into force upon their approval by the Board of Directors of the Bank.

ANNEX 1 - PROVISIONS OF CONTRIBUTION AGREEMENT

A. Form of Letter by Contributor to President of Bank

[LETTERHEAD OF CONTRIBUTOR]

Dear Sir,

I am writing to acknowledge your communication regarding the establishment of the Northern Dimension Environmental Partnership Fund (the "Fund") and the entry into force of the Rules of the Fund as adopted by the Board of Directors of the European Bank for Reconstruction and Development (the "Bank").

1. I am pleased to confirm that [name of country] wishes to make a Contribution to the Fund in accordance with the Rules in the aggregate amount of [] Euro/ other freely convertible currency on the basis of domestic laws and regulations and in accordance with annual budgetary appropriations. [Of this contribution, a part of ... Euro/ other freely convertible currency is for the purpose of the Fund as specified in Section 1.02 (b).]
2. To the extent it is available by legislative action the Contribution will be paid in cash/in non interest bearing promissory notes in Euro/other freely convertible currency in one or more instalments during the period of calendar year(s) [] [].
3. I confirm that the terms used herein have the meaning attributed to them in the Rules.

Sincerely yours,

B. Form of Reply by President of Bank

[LETTERHEAD OF EUROPEAN BANK]

Dear Sir,

Thank you for your letter of _____ concerning your contribution to the Northern Dimension Environmental Partnership Fund in the aggregate amount of _____ [Euro].

This is to confirm that the European Bank for Reconstruction and Development will be pleased to accept this contribution for inclusion in the Fund pursuant to the Rules governing the Fund.

Sincerely yours,

[President]