

CONFORMED COPY

LOAN NUMBER 3487 AL

(Pilot Forestry and Watershed Management Project)

between

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated August 5, 1992

LOAN NUMBER 3487 AL

LOAN AGREEMENT

AGREEMENT, dated August 5, 1992, between DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA (the "Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank").

WHEREAS: (A) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS: (B) The Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the "General Conditions") constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted; and

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "ANF" means the Borrower's National Forestry Agency (Agence Nationale des Forcets), a public administrative agency established and operating pursuant to the Borrower's Decree No. 90-14, dated April 21, 1990, as amended by the Borrower's Executive Decree No. 91-59, dated February 23, 1991;

(b) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term "Categories" means each of said Category;

(c) "Central Bank" means the Borrower's central bank (Banque d'Algerie), established and operating pursuant to the Borrower's Law No. 90-10, dated April 14, 1990;

(d) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(e) "Wilaya Law" means the Borrower's Law on the Wilaya (Loi Relative la Wilaya) No. 90-09, dated April 7, 1990;

(f) "MOA" means the Borrower's Ministry of Agriculture (Ministcre de l'Agriculture);

(g) "INRF" means the Borrower's National Institute for Forestry Research (Institut National de Recherche Foresticre), established and operating pursuant to the Borrower's Decree No. 81-348, dated December 12, 1981;

(h) "APC" means any Communal Assembly (Assemblee Populaire Communale), established pursuant to the Borrower's Law No. 90-08, dated April 7, 1990;

(i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(j) "Chlef" means the Borrower's Wilaya of Chlef, an administrative division of the Borrower organized pursuant to the Wilaya Law;

(k) "El Tarf" means the Borrower's Wilaya of El Tarf, an administrative division of the Borrower organized pursuant to the Wilaya Law;

(l) "Skikda" means the Borrower's Wilaya of Skikda, an administrative division of the Borrower organized pursuant to the Wilaya Law; and

(m) "Tissemsilt" means the Borrower's Wilaya of Tissemsilt, an administrative division of the Borrower organized pursuant to the Wilaya Law.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-five million dollars (\$25,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures

made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in

accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate economic, financial, administrative, engineering, forestry, environmental, and land conservation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out, or cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) The Borrower shall, not later than June 30, 1995, exchange views with the Bank on the progress achieved in the carrying out of the Project.

(b) Not later than four (4) weeks prior to such exchange of views, the Borrower shall furnish to the Bank a report, in such detail and of such scope as the Bank shall reasonably request, on the progress achieved by the Borrower in carrying out the Project.

Section 3.03. (a) Not later than November 30 in each Fiscal Year, beginning with the Fiscal Year ending December 31, 1992, the Borrower shall furnish to the Bank, for its review and comments, the investment program for the Project proposed to be carried out during the following Fiscal Year, together with the financing plan for said program.

(b) The Borrower shall promptly thereafter finalize and carry out said program and plan, taking into consideration the Bank's comments and recommendations thereon.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph

(a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall, not later than November 30, 1992, furnish to the Bank, for its review and comments, a plan of action specifying all measures proposed to be taken by the Borrower to ensure that it will submit to the Bank, within the time limits provided in Section 4.01 (b) and (c) of this Agreement, the Project audit reports required pursuant to the provisions of said Section, and all in accordance with generally accepted international auditing norms and principles.

(b) The Borrower shall promptly thereafter carry out said plan of action, taking into consideration the Bank's comments and recommendations thereon.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of ANF or INRF, or for the suspension of the operations of either or both of them.

(b) The Wilaya Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that any one of the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower shall have engaged the consultants, in accordance with the provisions of Section 3.04 of this Agreement, to assist the Borrower in carrying out Parts B (3), B (4), C (2), C (3), E (1) and E (2) of the Project.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section

11.01 of the General Conditions:

For the Borrower:

Ministry of Economy  
Governmental Palace  
Algiers  
Democratic and Popular Republic of Algeria

Cable address:                                    Telex:  
  
                  FINPLAN                                      67073  
                  Algiers

For the Bank:

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

Cable address:                                    Telex:  
  
                  INTBAFRAD                                    248423 (RCA),  
                  Washington, D.C.                                82987 (FTCC),  
  64145 (WUI) or  
  197688 (TRT).

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC AND POPULAR  
REPUBLIC OF ALGERIA

By /s/ N. Y. Zerhouni

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ P. Bottelier

Regional Vice President  
Middle East and North Africa

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	11,000,000	80%
(2) Goods (inclu-	6,500,000	100% of foreign

ding vehicles) and machinery		expenditures, 100% of local expendi- tures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training	5,500,000	100%
(4) Unallocated	2,000,000	
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TOTAL	25,000,000	
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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of one million dollars (\$1,000,000), may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after January 1, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower develop a long-term strategy for the development, management and conservation of its forest resources and protection of its watersheds from soil erosion, in accordance with sound practices for the protection of forest eco-systems, and, in particular, to assist the Borrower, on a pilot basis, in: (i) developing appropriate techniques and strengthening its institutional capabilities for reducing the erosion of its watersheds and for managing and increasing the productivity of its forest resources and mountain agriculture; and (ii) strengthening its institutional capabilities for forest, watershed and natural resource management and planning.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Forestry and Watershed Sector Strategy

1. Carrying out of a program to study the existing commercially exploitable forest resources, particularly wood, within the Borrower's territory, and to identify ways to promote the efficient development of its wood industry sub-sector and use of forest resources.

2. Carrying out of a study to prepare simplified forest management plans for selected forests in the Borrower's territory, with a view to developing a suitable format for future forest management plans, and provision of training to staff of the Forestry Service of ANF to facilitate the implementation of the forest management plans.

3. Development of a national watershed management master plan, based on the results of the pilot watershed management activities to be carried out by the Borrower under Part C (1) of this Schedule in Bouguedfine (Chlef) and El Bayad (Tissemsilt), and based on existing data. The master plan shall set forth the framework for defining an appropriate approach for watershed management and a program of watershed management activities.

Part B: Pilot Forestry Development

1. Carrying out, on a pilot basis, of a plantation program in Skikda to increase yields and reduce unit costs of tree plantations, consisting of: (a) introduction of new techniques for the production of seedlings; (b) plantation of pines and cork oak; (c) establishment of firebreaks and check dams; (d) upgrading of a nursery in Guerbes, including provision of nursery equipment therefor; and (e) construction of an irrigation system, provision of bulldozers, rippers, vehicles, mobile living quarters, and construction and rehabilitation of forest tracks and roads, all as required for the plantations included in this Part B (1).

2. Carrying out of a pilot program to exploit eucalypt of various ages and under various conditions in El Tarf, in order to test the possibility of reducing logging costs by using more appropriate equipment and increasing labor productivity, including provision of training to ANF staff in charge of supervising such exploitation and potentially to the loggers, and provision of a flat-bed truck, a tractor, and small equipment to ANF.

3. Carrying out of a program to strengthen the capabilities of ANF staff responsible for pilot forestry plantation and exploitation activities in Skikda and El Tarf, including provision of training, four-wheel drive vehicles, and office and forest equipment.

4. Carrying out of:

(a) A program of applied research to support the pilot forestry plantation and exploitation programs included in Parts B(1) and B(2) of this Schedule, consisting, inter alia, of: (i) development of a forestry station reference catalog, based on the ecology of selected areas of the Borrower's territory; (ii) development of improved plantation establishment techniques, techniques for the management and regeneration of cork and zeen oak forests and improved silvicultural techniques; and (iii) initiation of a applied wood technology research program.

(b) A program to: (i) strengthen the existing forestry research stations in Guerbes, Jijel and Tizi Ouzou, including construction or upgrading of laboratories, offices, a small saw mill, storage facilities, staff housing, and an experimental nursery and provision of training and four-wheel drive vehicles and equipment required therefor; and (ii) establish a wood technology center in Bainem, including provision of needed equipment and training.

#### Part C: Pilot Watershed Management

1. Carrying out, in the watershed of Bouguedfine (Chlef) and El Bayad (Tissemsilt) sub-catchments of the watershed of Oued Sly, of pilot watershed management activities to improve land and natural resources management, develop appropriate low-cost land management techniques, increase farmers' incomes and reduce erosion, consisting of:

(a) Development of a process to improve multi-sectoral coordination and participation of local populations.

(b) On-farm activities, including, inter alia: (i) fruit tree planting; (ii) fodder tree planting; (iii) establishment of permanent and semi-permanent pastures; (iv) establishment of anti-erosion works; (v) fodder plot development; (vi) small stock development; (vii) fallow land management; (viii) rangeland improvements; (ix) spring capping and development; and (x) small-scale water storage.

(c) Public land and non-agricultural land activities, including, inter alia: (i) gully stabilization and development; and (ii) road and track development and maintenance.

(d) Upgrading of water supply, health care and education infrastructures.

2. (a) Carrying out of applied research programs to support the pilot watershed management activities included in Part C (1) of this Schedule, said programs to focus on: (i) control of gullies and river beds to reduce sediment transport; (ii) improvement of mountain agricultural production; (iii) improvement of the structures to manage runoff; and (iv) introduction of improved design criteria and techniques for roads and drains.

(b) Strengthening of the INRF forestry station in Tenes, including provision of additional staff, equipment, four-wheel drive vehicles and training.

3. Carrying out of a program to strengthen the capabilities of ANF staff



responsible for pilot watershed management, consisting of (a) construction of a small operational center in each of Oued Abdel Kader (Bouguedfine catchment) and Lardjem (Bayad catchment), (b) provision to each of these centers of an agro-pastoralist and socio-economist, topographic equipment, audiovisual aides and four-wheel drive vehicles, and (c) provision of training to said staff.

Part D: Nature Conservation Program

Carrying out of a program to strengthen the Borrower's capabilities in nature conservation, consisting of: (a) the establishment of a research unit at the INRF research station in El Kala and provision of training and two (2) four-wheel drive vehicles, and (b) carrying out of a training program in nature conservation and provision of equipment required therefor.

Part E: Support Activities

1. Carrying out of a program to strengthen the institutional capabilities of ANF, including provision of training, staff, four-wheel drive vehicles and office and field equipment.

2. Carrying out of a program to strengthen the institutional capabilities of INRF, including provision of training and equipment.

\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 1 and September 1 beginning March 1, 1998 through March 1, 2009	1,040,000
On September 1, 2009	1,080,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

### SCHEDULE 4

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in May 1985 (the "Guidelines").

2. To the extent practicable, contracts for goods and works shall be grouped into bid packages estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or more.

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Borrower's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

###### 1. Limited International Bidding:

Heavy field machinery and related equipment estimated to cost less than the equivalent of five hundred thousand dollars (\$500,000) per contract, up to an aggregate amount not to exceed the equivalent of one million dollars (\$1,000,000), may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least (3) qualified suppliers eligible under the Guidelines, and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

###### 2. Local Competitive Bidding:

Works estimated to cost more than the equivalent of one hundred thousand dollars (\$100,000) but less than the equivalent of two million dollars (\$2,000,000) per contract, up to an aggregate amount not to exceed the equivalent of fourteen million five hundred thousand dollars (\$14,500,000), may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Local and International Shopping:

Computer hardware, office equipment and scientific material estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million one hundred thousand dollars (\$1,100,000), may be procured under contracts awarded on the basis of: (i) comparison of price quotations obtained from at least three (3) suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank; or (ii) comparison of price quotation obtained from at least three (3) suppliers from at least two (2) different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Direct Contracting:

Works estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less per contract, up to an aggregate amount not to exceed the equivalent of five hundred thousand dollars (\$500,000), may be awarded after direct negotiations with contractors, in accordance with procedures acceptable to the Bank.

5. Force Account:

Certain specialized works under the Project, up to an aggregate amount not to exceed the equivalent of two million six hundred thousand dollars (\$2,600,000), may be carried out by force account.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of one hundred and fifty thousand dollars (\$150,000) or more, and with respect to each contract for goods estimated to cost the equivalent of five hundred thousand dollars (\$500,000) or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

## Implementation Program

### A. Institutional Arrangements

#### 1. National Forestry Agency

(a) ANF shall have overall responsibility for the implementation of the Project. The Borrower shall ensure that adequate human, physical and financial resources are at all times made available to ANF for said purpose.

(b) The ANF Director General shall be assisted by a Project Management Team (the "PMT") which shall include a Deputy Director, an economist, an assistant accountant and a secretary. The qualifications and experience of each of the said economist, assistant accountant and secretary shall be satisfactory to the Bank. The Borrower shall appoint said economist and assistant accountant to the PMT not later than November 30, 1992. The PMT shall be responsible, inter alia, for: (i) undertaking Project procurement; and (ii) Project monitoring and evaluation, including preparing progress reports.

(c) The concerned regional forestry directorates of ANF shall be responsible for the implementation of Parts B (1), B (2) and C (1) of the Project within their respective regions.

#### 2. National Institute for Forestry Research

The INRF shall be responsible for carrying out the research activities under Parts B (4), C (2) and D (1) of the Project. For the purposes of said Part C (2), the researchers in the Ouzera Station (Medea) shall provide assistance to the staff in the Tenes Station.

### B. Forest Operations

The Borrower shall take all measures necessary to ensure the conclusion, not later than September 30, 1993, of arrangements, satisfactory to the Bank, in respect of the people who use the forest lands to be replanted under Part B of the Project for grazing purposes, so as to ensure that the grazing activities in such forests shall be carried out in a manner consistent with such reforestation activities.

### C. Watershed Management

1. The watershed management activities to be carried out under Part C (1) of the Project shall not be commenced until and unless: (a) ANF has prepared, in consultation with the principal parties concerned (including, the technical services personnel and the APCs of the communities and others concerned), and has furnished to the Bank the respective medium-term plan (the "Plans") outlining the activities to be undertaken under said Part C (1) in each watershed; (b) both the Bank and the Borrower have approved the said Plans; (c) the Borrower has taken all measures necessary, satisfactory to the Bank, with the parties concerned to ensure the proper (i) carrying out of said Plans, (ii) safeguarding of all related investments made pursuant thereto, and (iii) payment by said parties of a suitable portion of the costs of implementing said Plans.

2. The Borrower shall: (a) take all measures necessary to ensure the prompt implementation of the said Plans as approved by the Bank; (b) establish appropriate procedures adequate to enable it to monitor and evaluate, in accordance with guidelines satisfactory to the Bank, the carrying out of said Plans; (c) prepare and furnish to the Bank, not later than September 30 of each Fiscal Year, a report, of such scope and in such detail as the Bank and the Borrower shall have agreed, on the progress achieved in carrying out the said Plans. Thereafter, the Borrower shall promptly introduce such revisions into said Plans as shall have been agreed between the Borrower and the Bank on the basis of the said report.

### D. Consultants' Services

1. The Borrower shall employ consultants: (a) not later than March 31, 1993, to assist the Borrower in carrying out the study under Part A (2) of the Project and in developing the national watershed management master plan under Part A (3) of the Project; and (b) not later than March 31, 1994, to assist the Borrower in carrying out the program under Part A (1) of the Project.

2. The Borrower shall ensure that: (a) the said national watershed management master plan shall be developed and furnished to the Bank not later than September 30,

1996; and (b) the program under Part A (1) of the Project and the study under Part A (2) of the Project shall be carried out, and the results thereof furnished to the Bank not later than September 30, 1996.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) The term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) The term "Authorized Allocation" means an amount equivalent to one million five hundred thousand dollars (\$1,500,000) to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) Once the total unwithdrawn amount of the Loan allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

