

CONFORMED COPY

LOAN NUMBER 3186 IVC

Loan Agreement

(Forestry Sector Project)

between

REPUBLIC OF COTE D'IVOIRE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 24, 1990

LOAN NUMBER 3186 IVC

LOAN AGREEMENT

AGREEMENT, dated April 24, 1990, between REPUBLIC OF COTE D'IVOIRE (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;

(B) part of the Project will be carried out by SODEFOR (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SODEFOR part of the proceeds of the Loan as provided in this Agreement;

(C) part of the Project will be carried out by DCGTx (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to DCGTx part of the proceeds of the Loan as provided in this Agreement;

(D) the Borrower intends to contract from Commonwealth Development Corporation (CDC) a loan (the CDC Loan) in an amount of six million pounds sterling (£6,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CDC Loan Agreement) to be entered into between the Borrower and CDC; and

WHEREAS 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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "CAA" means the Caisse Autonome d'Amortissement of the Borrower;
- (b) "CFAF" means the currency of the Borrower;
- (c) "DCGTx" means the Direction et Controle des Grands Travaux of the Borrower;
- (d) "First and Second Loan Agreements" means the loan agreements dated August 2, 1979 (Loan No. 1735 IVC) and March 18, 1985 (Loan No. 2496 IVC) between the Borrower and the Bank;
- (e) "First and Second Projects" means the projects described in Schedules 2 to the First and Second Loan Agreements;
- (f) "CTFT-CI" means the Centre Technique Forestier Tropical de Cote d'Ivoire;
- (g) "MINAGREF" means the Ministry of the Borrower in charge of Agriculture, Waters and Forests;
- (h) "Project Accounts" means the accounts referred to in Section 3.01 (b) of this Agreement;
- (i) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated December 30, 1987 and May 6, 1988;
- (j) "SODEFOR" means Societe pour le Developpement des Plantations Forestieres of the Borrower;
- (k) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement; and
- (l) "Forestry, Code" means Law No. 65-425 of December 20, 1965 and its implementing decrees.

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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of eighty million Dollars (\$80,000,000), as 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 works, 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 CFAF three special accounts in CAA, one in its name for MINAGREF, one in the name of DCGTx, and one in the name of SODEFOR, on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such Date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1995 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 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 February 1 and August 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 Part F. 3 of the Project through its Ministry in charge of Finance and carry out Parts A.2(b), E.2 and F.1 of the Project through MINAGREF, Parts A.1(a), A.2(a), A.5, C, D.2, E.1 and F.4 through DCGTx, and Parts A.1(b), A.3, A.4, B, D.1 and F.2 of the Project through SODEFOR, all with due diligence and efficiency and in conformity, with appropriate administrative, financial, forestry, environmental and research practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction upon its obligations under paragraph (a) of this Section, the Borrower shall exclusively for the purposes of the Project:

(i) establish and maintain at CAA three revolving Project Accounts in its name for MINAGREF and in the names of DCGTx and SODEFOR, respectively;

(ii) make an initial deposit of CFAF 50,000,000 in its account for MINAGREF, of CFAF 120,000,000 in the DCGTx account and of CFAF 620,000,000 in the SODEFOR account; and

(iii) thereafter replenish said accounts as and when required to ensure that, on the first day of each calendar quarter during each year the Project is executed, an amount equal to at least the initial deposit shall be available to MINAGREF, DCGTx and SODEFOR in their respective accounts to finance their estimated expenditures for the Project during the following calendar quarter.

(c) The Borrower has given MINAGREF the responsibility for the coordination of the Project, and appointed DCGTx for the control of the execution of the Project and its evaluation.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the works, goods and consultants' services required shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall take all necessary action to implement the Action Plan for Forestry Exploitation set forth in Schedule 5 to this Agreement.

Section 3.04. Throughout the execution of the Project, the Borrower shall cause MINAGREF, DCGTx and SODEFOR to furnish annually to the Bank for comment their respective draft budget and work programs for the following year, not later than October 31.

Section 3.05. The Borrower shall furnish to the bank for comment, by December 31, 1991, the recommendations of the study on the marketing of SODEFOR's plantation products, to be carried out under Part D.2 of the Project.

Section 3.06. The Borrower shall: (a) take all measures necessary to remove progressively agricultural implantations in the areas included in Part A.1 of the Project in accordance with principles satisfactory to the Bank; and (b) carry out a

review on the implementation of said measures in order to submit to the Bank, not later than December 31, 1992, a report of such scope and in such detail as the Bank shall have reasonably requested.

Section 3.07. The Borrower shall, not later than June 30, 1990, carry out a review of the comprehensive list of holders of temporary exploitation permits and of its compliance with the Forestry Code; on the basis of such review, the Borrower shall take any necessary corrective measures and inform the Bank accordingly.

Section 3.08. The Borrower shall, not later than June 30, 1990, prepare new regulations for log exports.

Section 3.09. The Borrower shall cause SODEFOR to enter, not later than June 30, 1990, into a contract, satisfactory to the Bank, with the CTFT-CI for purposes of carrying out the research activities referred to under Part D.1 of the Project. Said contract shall specify, inter alia, the work to be performed, the personnel to be employed, and the budget provisions to be made therefor.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) 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 sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts opened in its name for MI and in the names of SODEFOR and of DCGTx, respectively, 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 practicable, but in any case not later than six 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, including 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; 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.

Section 4.02. (a) SODEFOR shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) SODEFOR shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 practicable but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) 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, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall: (a) employ experts to carry out, not later than June 30, 1990, the management audit referred to under Part F.3 of the Project; (b) based on said audit, prepare, not later than March 31, 1991, an action plan on management improvement measures, in consultation with the Bank; and (c) implement said plan in accordance with the timetable thereof.

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) Measures have been taken for the dissolution or disestablishment of SODEFOR or for the suspension of its operations.

(b) (i) Subject to Subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the CDC Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the CDC Loan Agreement, or

(B) the CDC Loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional condition to the

effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Project Accounts have been established in accordance with the provisions of Section 3.01 (b) of this Agreement, and the initial deposits have been made therein.

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 the Borrower responsible for Economy and Finance 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, Finance and Budget
P.O. Box V 125
Abidjan
Republic of Cote d'Ivoire

Cable address:

MINFIN
Abidjan

Telex:

MINFIN 23747
Abidjan

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI)
82987 (FTCC)

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.

REPUBLIC OF COTE D'IVOIRE

By /s/ Charles Providence Gomis

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V.K. Jaycox

Regional Vice President
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
MINAGREF		
(1) Operating Costs of Forest Surveillance	3,000,000	70%
(2) Technical Assistance	1,500,000	80%
SODEFOR		
(3) Civil works:		
(a) Forest Management	2,600,000	70%
(b) Head- quarters	100,000	50%
(4) Vehicles and Equipment:		
(a) Forest Management	3,300,000	70%
(b) Industrial Plantations	2,000,000	50%
(c) Headquarters	900,000	50%
(5) Operating costs:		
(a) Forest Management	9,500,000	70%
(b) Industrial Plantations	19,100,000	50%
(c) Headquarters	5,300,000	70%
(6) Technical Assistance	4,900,000	80%
(7) Research	3,500,000	70%
DCGTx		
(8) Civil works:		
(a) Surveillance	2,900,000	70%

(b) National Parks	1,300,000	70%
(c) Forestry Schools	1,200,000	50%
(9) Vehicles and Equipment:		
(a) Surveillance	3,100,000	70%
(b) Forestry Schools	1,300,000	50%
(10) Operating costs of Demarcation	2,800,000	70%
(11) Technical Assistance	500,000	80%
(12) Studies	2,600,000	70%
(13) Control and Evaluation	180,000	50%
Other		
(14) Refunding of Project Preparation Advance	500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(15) Unallocated	7,920,000	
TOTAL	80,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Categories 4(b) and 5(b) of paragraph (1) above, until the conditions of effectiveness of the CDC Loan have been fulfilled.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) protecting the gazetted forests; (ii) improving the interface between agriculture and forestry; (iii) rationalizing and improving forest management and exploitation; and (iv) ensuring regular wood supply and improving the efficiency, of its wood processing industry.

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: Forest Demarcation, Protection and Management

1. Natural Forest Demarcation:

(a) carrying out of demarcation studies for about 1.5 million ha of gazetted forests; and

(b) demarcation of the forest limits.

2. Protection and surveillance over 1.5 million ha of gazetted forests: execution of works and acquisition of equipment therefor.

3. Natural Forest Management: carrying out of forest inventories and preparation of management plans for about 700,000 ha of gazetted forests.

4. Execution of forestry works in gazetted forests.

5. Buffer Zone Pilot Project: preparation of land-use and agricultural development plans for the buffer zone of one gazetted forest for execution under a follow-up project.

Part B: Industrial Plantations

Maintenance and protection of approximately 55,000 ha of existing industrial plantations, and planting of 9,000 ha to complete the blocks established under the First and the Second Projects.

Part C: National Parks

Completion of infrastructure works in the Comoe Park.

Part D: Research And Studies

1. Research into natural forest silviculture and management, industrial plantation technique, and agroforestry,.

2. Studies on the evolution of the vegetative cover, the incidence of bush fires, the effects of deforestation on the climate, minor forest products and the marketing of plantation products under the management of SODEFOR.

Part E: Forestry Schools

Construction of additional infrastructure and acquisition of equipment for the forestry training schools at Bouafle and Banco.

Part F: Institutional Strengthening

1. Strengthening of MINAGREF's capability in forest planning, agroforestry and village replanting projects, forestry dataprocessing, and project management and supervision.

2. (a) Strengthening of SODEFOR's capability in technical (including forest inventory, management plans and dataprocessing), financial and commercial management, and in forest ecosystems supervision; and

(b) Incremental operating costs of SODEFOR's headquarters.

3. Carrying out of a management audit of SODEFOR.

4. Strengthening of DCGTx capability in project control and evaluation.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
August 1, 1995	1,455,000
February 1, 1996	1,515,000
August 1, 1996	1,570,000
February 1, 1997	1,630,000
August 1, 1997	1,695,000
February 1, 1998	1,760,000
August 1, 1998	1,830,000

February 1, 1999	1,900,000
August 1, 1999	1,975,000
February 1, 2000	2,050,000
August 1, 2000	2,130,000
February 1, 2001	2,215,000
August 1, 2001	2,300,000
February 1, 2002	2,385,000
August 1, 2002	2,480,000
February 1, 2003	2,575,000
August 1, 2003	2,675,000
February 1, 2004	2,780,000
August 1, 2004	2,885,000
February 1, 2005	3,000,000
August 1, 2005	3,115,000
February 1, 2006	3,235,000
August 1, 2006	3,360,000
February 1, 2007	3,490,000
August 1, 2007	3,625,000
February 1, 2008	3,770,000
August 1, 2008	3,915,000
February 1, 2009	4,065,000
August 1, 2009	4,225,000
February 1, 2010	4,395,000

* 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 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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

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 shall be procured under contracts awarded in accordance with the 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 materials shall be grouped in bid packages to permit bulk procurement.

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Civil works, field and office equipment, and fuel and spare parts for vehicles may be procured under contracts awarded on the basis of local competitive bidding, in accordance with the provisions of paragraph 3.3 of the Guidelines, with local advertising for contracts for goods and, in addition, notification of diplomatic missions in Cote d'Ivoire in the case of contracts for works, all in accordance with procedures satisfactory to the Bank.

2. Contracts for vehicles, estimated to cost less than the equivalent of CFAF 20,000,000 per contract, up to an aggregate amount of the equivalent of CFAF 300,000,000, may be procured after obtaining price quotations from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Specialized equipment, estimated to cost less than the equivalent of CFAF 20,000,000 per contract, up to an aggregate amount of the equivalent of CFAF 300,000,000, may be procured after obtaining price quotations from at least three suppliers from two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

4. Supplies estimated to cost less than the equivalent of CFAF 10,000,000 per contract, up to an aggregate amount of the equivalent of CFAF 150,000,000, may be procured in accordance with the Borrower's normal procedures for such goods.

5. Demarcation works for gazetted forests and industrial forestry works and maintenance may be carried out by SODEFOR under 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 estimated to cost the equivalent of CFAF 60,000,000 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 Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank prior to the of the first payment out of the Special Accounts 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 Accounts, 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 as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 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, or cause to be employed, the following consultants or experts whose qualifications, experience and terms and conditions of employment shall be satisfactory, to the Bank:

(i) for MINAGREF: a forestry planner economist, and a specialist in auditing;

(ii) for SODEFOR: two forestry management and inventory specialists, a biometrician/data-processing specialist, a systems specialist, a resources specialist, a marketing specialist, and an ecology/ecosystems specialist; and

(iii) for DCGTx: an expert for the control and evaluation of the Project.

Such consultants or experts 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.

SCHEDULE 5

Action Plan for Forestry Exploitation

As of the date of this Agreement, the Borrower shall no longer grant temporary exploitation permits to non-professional loggers and shall progressively replace existing permits by long-term concessions, as follows:

(a) for the five gazetted forests already identified (Haut-Sassandra, Scio, Debe, Cavally and Niegre) that the Borrower contemplates to entrust to industrial forestry companies for permits shall be cancelled or repealed, at the latest during the year preceding the beginning of the inventory, and replacement by short-term contracts with said companies.

The Borrower shall endeavor to enter into such contracts before June 30, 1990.

Such contracts shall include, inter alia, provisions for said companies to: (i) be granted exclusive felling licenses for a period of up to three years; (ii) be able to participate in the execution of inventories with qualified and experienced staff; (iii) exploit the forests in accordance with their respective annual work programs as agreed by MINAGREF; and (iv) pay to the Borrower an annual fee whose amount shall reflect, in particular, the advantages derived from the exclusive exploitation rights.

Upon completion of the management plan, the short-term contracts may be replaced by a long-term contract requiring, inter alia, the contracting party to conform to its management plan. In the absence of agreement with said companies, the procedures set forth under the following paragraph (c) shall apply;

(b) for other gazetted forests for which management plans will be prepared in the framework of Part A.3 of the Project, temporary exploitation permits shall not be renewed on expiry and shall be replaced by annual cutting permits; any temporary exploitation permits not expiring before the end of the year preceding the commencement of the inventory shall be cancelled or repealed before the end of such year. As soon as the management plan is prepared, a long-term concession for the forest or cutting permits shall be opened to bidding through public auctions; and

(c) for other forests, the current system of allocation will be in effect until the year preceding the beginning of inventories for the relevant forests.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (13) 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 Parts A through F of 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: (i) an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account opened in the name of the Borrower for MINAGREF; (ii) an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account opened in the name of DCGTx; and (iii) an amount equivalent to \$5,000,000 to be withdrawn from the Loan Account and deposited into the Special Account opened in the name of SODEFOR, pursuant to paragraph 3 (a:) of this Schedule.

2. Payments out of any 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish it 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 into said Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each 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, withdrawal from the Loan Account and deposit into the relevant 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 made out of such 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 a 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 any 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 for Parts A through F of the Project, 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 Parts A through F of the Project, shall equal the equivalent of twice the amount of the relevant Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for Parts A through F of the Project 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 a 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 a 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 relevant 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 a 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 a 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 relevant Special Account.

(d) Refunds to the Bank made pursuant to paragraph 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.

