

CONFORMED COPY

CREDIT NUMBER 1824 UG

Development Credit Agreement

(Forestry Rehabilitation Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 6, 1987

CREDIT NUMBER 1824 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 6, 1987, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the European Development Fund (EDF), a grant (the EDF Grant) in an amount equivalent to seven million dollars (\$7,000,000) to assist in financing Parts A and C (i) through (v) of the Project, on the terms and conditions set forth in an agreement (the EDF Grant Agreement) to be entered into between the Borrower and EDF;

(C) the Borrower intends to obtain from the Danish International Development Agency (DANIDA) a grant (the DANIDA Grant) in an amount equivalent to seven million five hundred thousand dollars (\$7,500,000) to assist in financing Part B (i), (ii), (iv), (v) and (vi) of the Project, on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and DANIDA;

(D) the Borrower intends to obtain from CARE a grant (the CARE Grant) in an amount equivalent to one hundred eighty thousand dollars (\$180,000) to assist in financing Part B (iii) of the Project, on the terms and conditions set forth in an agreement (the CARE Grant Agreement) to be entered into between the Borrower and CARE;

(E) the Borrower intends to obtain from the United Nations Development Programme (UNDP) a grant (the UNDP Grant) in an amount equivalent to one million four hundred thousand dollars (\$1,400,000) to assist in financing Parts D (iv), E (v) and F (iii) and (iv) of the Project, on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing to extend the Credit to the Borrower, on 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 Development Credit Agreements" of the Association, 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated, March 12, 1987, and April 3, 1987, between the Borrower and the Association;

(c) "MAF" means the Borrower's Ministry of Agriculture and Forestry;

(d) "Project Account" means the account referred to in Section 3.01 (c) of this Agreement;

(e) "FD" means the Forestry Department within MAF;

(f) "U Sh" means Uganda shillings, the currency of the Borrower; and

(g) "Cofinancing Agreements" means, collectively, the EDF Grant Agreement, the DANIDA Grant Agreement, the CARE Grant Agreement and the UNDP Grant Agreement.

#### ARTICLE II

##### The Credit

Section 2.01. The Association agrees to lend to the

Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association 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 Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain a special account in dollars in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 December 31, 1994, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent ( $1/2$  of  $1\%$ ) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty (60) days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid:

- (i) at such places as the Association shall reasonably request;
- (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and
- (iii) in the currency specified in Section 2.08 of this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of  $1\%$ ) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing November 15, 1997, and ending May 15, 2037. Each installment to, including the installment payable on May 15, 2007, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### 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 the Project through MAF with due diligence and efficiency and in conformity with appropriate financial, administrative, management, and forestry development and 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Pursuant to paragraph (a) of this Section, the Borrower shall open and maintain in the name of FD, until the completion of the Project, an account in Uganda shillings in a commercial bank and shall deposit therein an initial amount of the Uganda shillings equivalent of one hundred twenty-five thousand dollars (\$125,000). Thereafter, the Borrower shall, at the beginning of each quarter, deposit into such account the amount estimated to be required by FD to cover its working capital requirements for such quarter, which are not to be covered by withdrawals from the Credit Account.

Section 3.02. Except as the Association 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 Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall, for the purposes of the Project, establish and maintain in operation a Project Coordination Committee, with representation from MAF and the Ministries of Finance, Planning and Economic Development, Energy, and Environmental Protection.

Section 3.04 The Borrower shall:

(a) take all measures necessary to adopt a policy on forest resource management, acceptable to the Association, by December 31, 1987; and

(b) promptly thereafter, but in any event not later than June 30, 1988, take such legislative measures as may be necessary to ensure that the provisions of the said policy are consistent with the Borrower's laws.

Section 3.05. Unless the Borrower and the

Association shall otherwise agree, the Borrower shall take all Governmental action required to semiannually:

(a) review and, if necessary, adjust royalties on roundwood up to June 30, 1988, to ensure that such royalties are equal to:

- (i) 8% of retail selling price of class I hardwood;
- (ii) 5% of retail selling price of class 2 hardwood and cypress; and
- (iii) 4% of retail selling price of class 3 softwood and hardwood;

(b) make increases in royalties on roundwood to ensure that, with effect from December 31, 1988, such royalties are maintained at a level equal to:

- (i) 15% of retail selling price of class 1 hardwood;
- (ii) 10% of retail selling price of class 2 hardwood and cypress; and
- (iii) 7% of retail selling price of class 3 softwood and hardwood; and

(c) review and adjust the monthly license fees levied on charcoal producers to ensure that such fees are maintained at a level representing at least seven and one-half percent (7½%) of the retail value of their average monthly charcoal production.

Section 3.06. (a) The Borrower shall, by not later than April 1, of each year, prepare and submit to the Association, for its review and comments, work programs covering the twelve-month period commencing on the following July 1.

(b) Each work program shall set out detailed proposals of the Borrower for carrying out the Project in the period to which such work program relates.

(c) After review of, and comment on, each work program by the Association, the Borrower shall make such revisions to such work program as may be appropriate, taking due regard of the comments emanating from the said review and, except as the Association shall otherwise agree, carry out the Project, in the year in question, on the basis of such work program as so revised.

Section 3.07. The Borrower shall, by September 30, 1988, take all measures necessary to ensure that all forest harvesting licenses issued to mechanical and chemical wood-using industries would include provision for the use of such logging and milling equipment as shall be necessary for operating their respective mills in conformity with sound forest management practices.

Section 3.08. Without any limitation or restriction upon its obligations under Section 3.01 of this Agreement, the Borrower shall furnish a detailed assessment of the overall performance of the Project to the Association, for its review and comments, by not later than March 31, 1990. After review of the assessment, the Borrower shall, with the approval of the Association, make such changes in the Project implementation procedures as are considered necessary to ensure the achievement of the objectives of the Project.

Section 3.09. The Borrower shall take all reasonable measures to ensure that the execution and operation of the Project is carried out with due regard to ecological and environmental factors consistent with its policy on Forest Resource Management to be adopted pursuant to Section 3.04 of this Agreement.

Section 3.10. The Borrower shall take all measures necessary to reinstate forest guards as members of the regular staff of FD.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 and the Project Account for each fiscal year, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by the said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning the said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit 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 year after the completion of the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) as evidence of such expenditures;
- (iii) enable the Association'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 the 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.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to subparagraph (b) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower to finance the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor;

(b) Subparagraph (a) of this paragraph shall not apply if the Association establishes to the satisfaction of the Association that:

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

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Special Account has been opened pursuant to Section 2.02 (b) of this Agreement;

(b) the Project Account has been opened pursuant to Section 3.01 (c) of this Agreement, and an initial amount of the Uganda shillings equivalent of one hundred twenty-five thousand dollars (\$125,000) has been deposited therein;

(c) the Borrower has reorganized FD and submitted a staffing plan for FD pursuant to paragraph B of Schedule 4 to this Agreement.

(d) the Cofinancing Agreements have been duly signed on behalf of the respective parties thereto, and all conditions (if any) precedent to the effectiveness of such Agreements, except for the effectiveness of this Agreement, have been fulfilled;

(e) the Borrower has established the Project Coordination Committee pursuant to Section 3.03 of this Agreement; and

(f) the Borrower has reinstated forest guards as members of FD pursuant to Section 3.10 of this Agreement.

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 Finance of the Borrower is designated as the 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 Finance  
P.O. Box 8147  
Kampala, Uganda

Cable address:                      Telex:

FINSEC                                  61170  
Kampala

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:                      Telex:

INDEVAS                                440098 (ITT)  
Washington, D.C.                      248423 (RCA) or  
   64145 (WUI)

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.

THE REPUBLIC OF UGANDA

By /s/ Elizabeth Bagaaya-Nyabongo  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox  
Regional Vice President  
Africa

#### SCHEDULE 1

Withdrawal of the Proceeds of the Credit



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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works under Parts D, E and F of the Project	960,000	100% of foreign expenditures and 90% of local expenditures
(2) Vehicles, equipment and materials under Parts D, E and F of the Project	3,470,000	100% of foreign expenditures and 90% of local expenditures
(3) Technical assistance and training under Parts C (vi), D and E (iv) of the Project	1,730,000	100%
(4) Incremental recurrent costs including staff allowances under Parts D, E and F of the Project	1,730,000	90% for withdrawals up to an aggregate amount equivalent to SDR 400,000; 70% for withdrawals exceeding an aggregate amount equivalent to SDR 400,000 but not exceeding an aggregate amount equivalent to SDR 800,000; 50% for withdrawals exceeding an aggregate amount equivalent to SDR 800,000 but not exceeding an aggregate amount equivalent to SDR 1,200,000; and 30% for withdrawals exceeding an aggregate amount equivalent to SDR 1,200,000 but not exceeding an aggregate amount equivalent to SDR 1,730,000
(5) Refunding of Project Preparation Advance	980,000	Amount due under Section 2.02 (c) of this Agreement
(6) Unallocated	1,130,000	
TOTAL	10,000,000	

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;

(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; and

(c) the term "staff allowances" means overnight and safari day allowances paid by FD to staff to assist in carrying out work programs included in the Project.

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.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to:

(a) improve the management of the Borrower's forest resources to meet domestic needs for timber, fuelwood and other wood products on a sustained basis and management of conservation forests to protect their ecological systems; and

(b) increase the area and improve the management of natural forests.

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

Part A: Plantations and Pilot Wood Farms:

In peri-urban areas:

- (i) establishment of about 900 ha of eucalyptus plantations for demonstration purposes in gazetted forestry land;
- (ii) provision of seedlings for establishment by private farmers of about 1,000 ha for production, on a pilot basis, of fuelwood and poles;
- (iii) rehabilitation of about 50 kma of plantation roads; and
- (iv) construction of about 16 staff houses.

Part B: Farm Forestry:

- (i) establishment of nurseries in rural areas for an annual production of about 27 million seedlings of multi-purpose species to be planted by farmers and non-governmental agencies;
- (ii) provision of extension services;
- (iii) provision of training and study tours for FD staff;

- (iv) provision of fellowships and in-service training for FD staff and training for farmers;
- (v) establishment of agro-forestry research and demonstration centers;
- (vi) provision of tools, equipment and materials to non-governmental agencies; and
- (vii) provision of technical assistance.

Part C: Rehabilitation of Natural Forest Management Through:

- (i) redemarcation of about 1,350 kms of natural forest boundaries;
- (ii) rehabilitation of about 26,000 ha of natural forests through reforestation of about 17,000 ha of encroached forest and enrichment of about 9,000 ha of degenerated forest;
- (iii) provision of extension services for improved charcoal production;
- (iv) provision of improved logging management, establishment of detailed forest working plans, revenue collection and forest patrolling;
- (v) increase of natural forest reserves from 5% to 20%; and
- (vi) carrying out an inventory of standing timber and biomass in the natural forests and on the plantations.

Part D: Rehabilitation of Softwood Plantations Through:

- (i) rehabilitation of about 13,900 ha of softwood plantations;
- (ii) planting of about 2,750 ha;
- (iii) construction of about 30 kms of new roads and rehabilitation of about 200 kms of existing roads;
- (iv) rehabilitation or construction of about 35 staff houses;
- (v) re-establishment of a fire-protection system; and
- (vi) provision of technical assistance and training in plantation management.

Part E: Strengthening of FD Through:

- (i) construction of FD's headquarters;
- (ii) construction of 16 staff houses and rehabilitation of about 30 staff houses;
- (iii) provision of transport, and forestry tools and equipment, for supervision of forestry activities;
- (iv) provision of technical assistance for

planning, procurement, financial management, and studies; and

- (v) provision of technical assistance for research;

Part F: Training:

- (i) rehabilitation of Nyabyeya Forest College and of Nakawa sawmill;
- (ii) provision of vehicles and equipment;
- (iii) provision of training to forestry staff, farmers, sawmillers and logging operators; and
- (iv) study tours.

\* \* \*

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Uganda 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. Building and road construction works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Miscellaneous equipment, including office and field equipment, and materials, including seeds, fertilizer and polyethelene bags, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

3. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not exceeding the equivalent of \$500,000,, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers, eligible under the

Guidelines, in accordance with procedures acceptable to the Association.

4. Contracts for spare parts for machinery, equipment and vehicles may be procured by negotiated purchase with the approval of the Association, in accordance with the Borrower's procurement procedures which shall be acceptable to the Association.

Part E: Review by the Association of Procurement Decisions:

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

(a) With respect to each contract estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts 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 Association pursuant to paragraph 2 (d) of Appendix 1 of the Guidelines, shall be furnished to the Association 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 I to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of each such contract, together with the other information required to be furnished to the Association pursuant to paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit 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 10% 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 Association. Such consultants shall be selected, in accordance with principles and procedures satisfactory to the Association, 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 4

#### Implementation Program

A. Project Coordination:

1. The Borrower shall provide overall policy guidance for all Project activities through the Project Coordination Committee referred to in Section 3.03 of this Agreement.

The Committee shall meet at least twice a year and shall:

(a) review and make recommendations concerning any policylevel issues which might affect the Project;

(b) ensure the coordination of Project implementation between the donors and the various ministries and agencies of the Borrower;

(c) set benchmarks for determining Project progress and monitor the carrying out of the Project accordingly;

(d) identify the problems experienced during Project execution and make changes, if necessary, in the Project implementation procedures to ensure successful implementation of the Project; and

(e) review and comment on the annual work program.

2. The Borrower shall take all necessary measures to ensure that appropriate arrangements are made for carrying out Part B of the Project by CARE and FD. In addition, the Borrower shall establish a coordinating committee composed of representatives of FD, CARE and any other entity coopted by MAF to assist, subject to overall policy guidance of the Project Coordination Committee, in carrying out the Project.

#### B. Restructuring of FD

In order to assist it in the carrying out of Part B of the Project, the Borrower shall reorganize the structure of FD. To this end, the organization chart and staffing plan for FD shall include provision for three Deputy Chief Forest Officers, responsible for three units comprising planning and administration, technical services, and research, eleven Assistant Chief Forest Officers and ten Senior Forest Officers.

#### C. Project Management:

1. The Chief Forest Officer of FD shall have overall responsibility for Project implementation and shall be assisted by an expert who shall act as Project Coordinator.

2. The Project Coordinator shall have the same powers as those to be vested in Deputy Chief Forest Officers and shall be responsible for Project planning and management.

3. A team, including a Senior Planning Officer, a Financial Controller, a Procurement Manager, a Building Supervisor and a Monitoring and Evaluation Specialist, shall assist the Project Coordinator. FD shall provide counterpart staff to the Senior Planning Officer, the Financial Controller and the Procurement Manager.

4. Implementation of all Project forestry activities in the field shall be the responsibility of Regional Forest Officers.

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories 1 to 4 set forth in the table in paragraph I 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 Credit 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 of \$750,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been Justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the Eligible

Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories of the Project shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association shall have determined at any time that any payment out of the Special Account:

- (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or
- (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association 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 Association, refund to the Association such outstanding amount to be credited to the Credit Account.

