

CONFORMED COPY

CREDIT NUMBER 3461-ET

Development Credit Agreement

(Conservation and Sustainable Use of Medicinal Plants Project)

between

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 16, 2001

CREDIT NUMBER 3461-ET

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 16, 2001, between FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA (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 has also requested the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF), to provide additional financing towards the financing of the Project and, by an agreement of even date herewith between the Borrower and the Bank, the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to one million four hundred thousand Special Drawing Rights (SDR 1,400,000) (the GEF Trust Fund Grant); and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit

Agreements" of the Association, dated January 1, 1985, (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "BIRR" means the currency of the Borrower;

(b) "Collaborating Institution" means, in addition to IBCR (as hereinafter defined), any of the following: the Department of Drug Research within the Ethiopian Health and Nutrition Institute, School of Pharmacy, Faculty of Veterinary Medicine, National Herbarium and Department of Biology, Natural Products Chemistry and Faculty of Medicine of the Addis Ababa University, Institute of Development Research, Natural Products Chemistry, Oromiya Agriculture Bureau, Ethiopian Wildlife Conservation Organization, Essential Oils Research Center ESTC and THA;

(c) "EPA" means the Borrower's Environmental Protection Authority, established and operating pursuant to Proclamation No. 9/1995;

(d) "ESTC" means the Ethiopian Science and Technology Commission, established and operating pursuant to Proclamation No. 91/1994;

(e) "FY" means the Fiscal Year of the Borrower, commencing July 8 and ending July 7;

(f) "IBCR" means the Borrower's Institute of Biodiversity Conservation and Research established and operating pursuant to Proclamation No. 120/1998;

(g) "MOU" means the Memorandum of Understanding to be entered into between IBCR and the Collaborating Institutions setting out the modalities for implementing the Project;

(h) "PCMU" means the Project Coordinating and Monitoring Unit within IBCR referred to in paragraph 2 of Schedule 4 to this Agreement;

(i) "PIC" means the Project Implementation Committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(j) "PIM" means the Project Implementation Manual, adopted by the Borrower containing, inter alia, guidelines and procedures to be used for the purpose of implementation of the Project, including financial, accounting, procurement and disbursement procedures, as may be amended from time to time in consultation with the Association, and such term includes any schedules to the PIM;

(k) "PIP" means the Project Implementation Plan referred to in paragraph 1 of Schedule 4 this Agreement;

(l) "Project Management Report" means each report prepared in accordance with

Section 4.02 (a) of this Agreement;

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

(n) "THA" means the Traditional Healers Association within the Borrower's territory.

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 two million Special Drawing Rights (SDR 2,000,000).

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 may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the National Bank of Ethiopia on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2005, 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 on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) 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 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 February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2011 and ending February 1, 2041.

Each installment to and including the installment payable on February 1, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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 Parts A and B of the Project through IBCR with due diligence and efficiency and in conformity with appropriate administrative, financial and conservation practices and with due regard to environmental 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.

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. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until completion of the Project, an account (the Project Account) in the National Bank of Ethiopia on terms and conditions acceptable to the Association;

(b) deposit into the Project Account an initial amount of \$60,000 equivalent, the Borrower's estimated share of counterpart funds for the first quarter of Project implementation, as shall be agreed upon by the Borrower and the Association and thereafter, on October 31, January 31, April 30 and July 31 each FY, deposit into the Project Account such amounts as estimated to be required for the ensuing quarter as

shall be agreed upon between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account, in accordance with paragraphs (a) and (b) of this Section, shall be used exclusively for expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability and potential replicability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report 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) evidencing 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 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than 18 months after the Effectiveness Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Credit Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Borrower has opened the Project Account referred to in Section 3.03 (a) of this Agreement and deposited therein the amount referred to in Section 3.03 (b) of this Agreement;
- (b) the Borrower has established a financial management and accounting system for the Project, satisfactory to the Association;
- (c) the Borrower has adopted the PIM and PIP, in form and substance satisfactory to the Association;
- (d) the MOU has been signed by IBCR and the Collaborating Institutions;
- (e) the Borrower has appointed the committee of experts referred to in paragraph 7 of Schedule 4 to this Agreement, with qualifications and experience satisfactory to the Association;
- (f) all conditions precedent to the effectiveness of the GEF Trust Fund Grant of even date herewith between the Recipient and the Association shall have been fulfilled, except the effectiveness of this Agreement; and
- (g) the Borrower shall prepare and furnish to the Association the work program for the first fiscal year of Project implementation.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of Finance
P.O. Box 1905
Addis Ababa, Ethiopia

Cable Address	Telex:	Facsimile:
MINFIN	21147	(251-1) 551355

For the Association:

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

Cable address:	Telex:	Facsimile
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

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.

FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

By /s/ Taddesse Teferra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox

Acting 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) Vehicles, equipment,	730,000	100% of foreign expenditures and

	furniture and materials		85% of local expenditures
(2)	Consultants' services, training and studies	820,000	100%
(3)	Incremental operating costs	210,000	80%
(4)	Refunding of Project Preparation Advance	70,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5)	Unallocated	170,000	
	TOTAL	2,000,000	

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) "Incremental operating costs" means the incremental expenses incurred on account of Project implementation, management, monitoring and auditing, including office supplies, vehicle and equipment operation, transportation, travel, per diem and supervision costs, but excluding salaries of officials of the Borrower's civil service.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for services under contracts costing less than \$50,000 equivalent each for individual consultants and \$100,000 equivalent each for goods and consulting firms as well as for all operating costs and training, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to initiate support for the conservation, management and sustainable utilization of medicinal plants for human and livestock healthcare through: (i) strengthening of institutional capacity for the conservation, management and sustainable utilization of medicinal plants in the Borrower's territory; (ii) identification and documentation of selected commonly used/indigenous medicinal plants used for the treatment of major human diseases with emphasis on the following three: tapeworm infections, bronchopneumonia and hypertension, and livestock diseases with emphasis on the following three: tapeworm infections, mastitis and dermatophilosis; (iii) initiation of studies for the safe utilization of effective medicinal plant remedies and the compilation of a medicinal plant database; and (iv) promotion of in-situ management and sustainable utilization of medicinal plants in and around a site of global significance, the Bale Mountains National Park.

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: Institutional Strengthening, Human Resource Development and Project Monitoring and Evaluation

1. Strengthening the institutional capacity of IBCR through the provision of

technical advisory services and training of staff.

2. Development of the human resource capacity of the Collaborating Institutions for implementing activities under the Project.
3. Establishment of a medicinal plant field gene bank in collaboration with traditional healers and other Collaborating Institutions.
4. Development of an intellectual property rights policy and guidelines for sharing traditional knowledge of medicinal plants.
5. Establishment and operation of PCMU.

Part B: Studies, Research and Database Development

1. Carrying out studies on methods to collect, analyze and interpret quantitative data on the socioeconomic benefits derived from medicinal plants used in human and livestock healthcare on a national level.
2. Carrying out ethnomedical surveys to explore utilization of medicinal plants and traditional healthcare practices for the prevention of HIV and mitigation of the adverse impact of AIDS.
3. Carrying out research on propagation and cultivation methods of selected indigenous medicinal plants for human and livestock diseases.
4. Carrying out formulation studies on extraction, standardization, safety and efficacy, and dosage testing and formulation of phytomedicines for three human and three livestock diseases.
5. Identification, documentation and development of a national database of indigenous medicinal plants.

Part C: In-situ Conservation and Sustainable Use in Bale Mountains National Park

1. Carrying out: (a) a detailed socioeconomic survey to: (i) identify villages/users having the greatest impact on wild populations of medicinal plants through harvesting and other activities, and (ii) identify villages/farmers for on-farm pilot propagation and cultivation trials of medicinal plants to remove pressure on wild populations; (b) an in-depth biological survey and assessment of in-situ and ex-situ conservation; and (c) zoning of key areas within the Bale Mountain National Park and strengthening of its management.
2. Development and implementation of appropriate management options and guidelines for sustainable levels of harvesting of medicinal plants and/or their products, including the development of a comprehensive biodiversity monitoring and evaluation system through the provision of technical advisory services and training.
3. Carrying out a monitoring exercise to assess: (a) the impact of harvesting of medicinal plants in permit areas; (b) the impact of harvesting guidelines and management interventions in the Park; (c) Project interventions in protecting threatened/rare medicinal plant species; and (d) market and traditional health practitioner surveys to determine levels of use locally and nationally of plants harvested from the Bale Mountains National Park.
4. Carrying out pilot farmer-based cultivation trials for a selected number of threatened and indigenous species in home gardens and boundary and buffer zones of the Bale Mountains National Park to supply local needs and to provide alternative income generation.
5. Provision of training for: (a) park administrative and technical staff in the conservation, management and monitoring of medicinal plants within the park and adjacent forests; and (b) farmers for pilot propagation and cultivation trials.
6. Carrying out education and mass awareness campaigns on the relevance of conservation and management programs of medicinal plants and their importance to the Borrower's bio-diversity and long-term healthcare needs.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods shall be procured in accordance with the provisions of Section I of the Guidelines for Procurement under IBRD Credits and IDA Credits" published by the Association in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2 The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraph 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods which are estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to

the Guidelines shall apply.

(b) With respect to each contract for goods and works to be procured in accordance with the procedures referred to in Part C.2 above, and estimated to cost the equivalent of \$50,000 or less, the following procedures shall apply:

- (i) prior to the selection of any supplier under National Shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received from at least three (3) local suppliers;
- (ii) prior to the execution of any contract procured under National Shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Association Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-Cost Selection

Services for audit and advisory services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for technical and logistical support to producers' groups for propagation and multiplication of cultivation trials of medicinal plants, bio-diversity conservation, feasibility studies, and extension, estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 and 5.3 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants, in accordance with the provisions of paragraphs 5.1 through 5.3 of the

Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Except as the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the provisions of the PIM and PIP. Such PIM and PIP shall not be amended or waived, in whole or in part, in a manner which in the opinion of the Association, would materially and adversely affect the execution of the Project or the achievement of its objectives.

2. The Borrower shall establish and maintain, until completion of the Project, a PCMU, which will be staffed with a full time Project Coordinator (PC) to coordinate Project activities. The PC will be assisted by (i) an accounting and disbursement specialist, (ii) a monitoring and evaluation specialist, (iii) a procurement specialist, and (iv) adequate administrative staff, all with terms of reference and qualifications satisfactory to the Association.

3. The Borrower shall maintain, until completion of the Project, the PIC to provide guidance to the PCMU in Project implementation. The PIC shall be chaired by the General Manager of IBCR, with the Heads of Departments of Collaborating Institutions and a representative from EPA as members.

4. IBCR shall enter into an MOU satisfactory to the Association with the Collaborating Institutions providing modalities for interactions between IBCR and the Collaborating Institutions.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30 and March 31, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the

achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by October 31 and April 30, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

6. The Borrower shall:

(a) not later than December 31, 2002, carry out jointly with the Association a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the Project; (ii) the results of the monitoring and evaluation activities; and (iii) the replicability of Project activities to other areas of the Borrower's territory;

(b) three months before such review, prepare and furnish to the Association, in scope and detail satisfactory to the Association, reports needed to undertake the review, including the preparation of a program of action to deal with potential deficiencies in the Project implementation identified prior to such review; and

(c) based on such review, promptly prepare an action plan, satisfactory to the Association, for the further implementation of the Project, and shall thereafter implement such action plan.

7. The Borrower shall appoint and maintain at all times during Project implementation, a committee of experts, with qualifications and experience satisfactory to the Association, to review the implementation and management of Part C of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A and B of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A and B of 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 equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 500,000.

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 Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, 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) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special

Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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. Unless the Association shall otherwise agree, no further deposit by the Association 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 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.

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c)

of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

PLEASE SEE ORIGINAL FOR INDICATOR, FORMAT WOULD NOT FIT DATABASE

