

CONFORMED COPY

CREDIT NUMBER 1811 RW

Development Credit Agreement  
(Second Integrated Forestry Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 14, 1987

CREDIT NUMBER 1811 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 24, 1987, between the RWANDESE REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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, 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) "MINAGRI" means the Borrower's Ministry of Agriculture Livestock and Forest;

(b) "DGF" means Direction Generale des Forets, the Forestry Department within MINAGRI;

(c) "DCE" means Direction du Controle et de l'Evaluation, the Department of Control and Evaluation within MINAGRI;

(d) "PMC" means the Project Management Committee established pursuant to Ministerial Decision No. 01/87 dated April 16, 1987;

(e) "Prefecture" means an administrative subdivision of the Borrower established pursuant to Decree - Law No. 10/75 dated March 11, 1975;

(f) "Communes" means an administrative subdivision of the Prefecture in the Borrower's territory organized under the Borrower's Law of November 23, 1963 as modified up to this date;

(g) "CAT" means Centre d'Appui Technique, the Borrower's Technical Support Center of the GBK Project Unit (as defined below);

(h) "ISAR" means Institut des Sciences Agronomiques du Rwanda, the National Research Institute, operating under the Borrower's Law No. 21/1982 of June 10, 1982;

(i) "OVAPAM" means Office pour la Valorisation Pastorale Agricole du Mutara, the Office for livestock and agricultural promotion in the Mutara region;

(j) "GBK Project Unit" means the project unit established pursuant to Arrete Ministeriel No. 1/05 dated January 9, 1981, and responsible for the coordination of the activities to be carried out under Parts A.7 (b) to A.10, C, D and E.2, E.3, E.5 and E.6 of the Project;

(k) "Taungya" means the practice of growing crops between trees in plantations;

(l) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(m) "GBK's Beef Fattening Facility" means a revenue earning entity organized under GBK's supervisory authority;

(n) "Gishwati's Dairy Operation" means a revenue earning entity organized under GBK's supervisory authority;

(o) "GBK's Veterinary Pharmacy" means a revenue earning entity organized under GBK's supervisory authority;

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 21, 1987, and May 13, 1987, between the Borrower and the Association;

(q) "FR" means Francs Rwandais, the Borrower's currency;

(r) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31; and

(s) "UGZ3" means the management unit of Zone 3 in the south east part of the Nyungwe natural forest as defined in the Action Plan for the conservation and establishment of natural forest in the Zaire-Nile Crest.

## 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 eleven million Special Drawing Rights (SDR 11,000,000).

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 in dollars three special accounts in the name of the Nyungwe Project Unit (Special Account A), DGF (Special Account B), and the GBK Project Unit (Special Account C), in its Banque Nationale du Rwanda on terms and conditions satisfactory to the Association. Deposits into, and payments out of, Special Accounts A, B and C 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 June 30, 1993, 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 per cent ( $1/2$  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 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 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 per cent ( $3/4$  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 and including the installment payable on May 15, 2007, shall be one-half of one per cent ( $1/2$  of 1%) of such principal amount, and each installment thereafter shall be one and one-half per cent ( $1-1/2\%$ ) 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. 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 MINAGRI with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and agricultural 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. For purposes of coordinating the execution of Part A of the Project and without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall: (a) establish and maintain a Project Unit (the Nyungwe Project Unit) headed by a qualified and experienced Project Unit Manager; and (b) appoint and maintain a qualified and experienced ecologist and forester.

Section 3.04. For purposes of financing the costs of goods and services required to carry out the Project not financed out of the proceeds of the Credit, the Borrower shall: (a) open and thereafter maintain in FR an account (the counterpart funds account) at Banque Nationale du Rwanda, with three sub-accounts (the counterpart funds sub-accounts, in the name of the Nyungwe Project unit, DGF and the GBK Project Unit, respectively; (b) deposit into such counterpart funds account an initial deposit of FR38,000,000; (c) apportion such initial deposit among such counterpart funds sub-accounts as follows: FR10,000,000 for the Nyungwe Project Unit counterpart funds sub-account; FR3,000,000 for the DGF counterpart funds sub-account, and FR25,000,000 for the GBK Project Unit counterpart funds sub-account; (d) thereafter deposit quarterly in said counterpart funds account an amount equal, unless the Association shall otherwise agree to the initial deposit and apportion it among such counterpart funds sub-accounts in amounts equal, unless the Association shall otherwise agree, to the aforementioned amounts; and (e) use such funds to finance the local currency cost of goods and works necessary for the Project. Such counterpart funds account shall be managed by the Chairman of PMC who shall apportion the counterpart funds among the three counterpart funds sub-accounts.

Section 3.05. For purposes of establishing the legal boundaries of the Nyungwe buffer plantations and the demarcation of such boundaries under Part A.1, A.2 and A.8 of the Project, the Borrower shall appoint an ad hoc commission.

Section 3.06. The Borrower shall take all necessary measures satisfactory to the Association to ensure that: (i) the number of staff employed by the GBK Project Unit, GBK's Beef Fattening Facility, Gishwati's Dairy Operation, GBK's Veterinary Pharmacy and CAT for purposes of carrying out Parts C.3 to C.6 of the Project is reduced to a level satisfactory to the Borrower and the Association; and (ii) that such level is maintained.

Section 3.07. For purposes of carrying out Part C.10 of the Project, the Borrower shall: (i) not later than December 31, 1989, prepare in agreement with the Association a time table and an action plan with the measures to be taken to strengthen its institutional framework for agricultural extension at the level of the Gisenyi Prefecture; and (ii) not later than January 1, 1990, ensure that the agricultural extension unit of GBK be transferred out of the GBK Project Unit and become an autonomous unit under the supervision of the Gisenyi agricultural extension unit and be granted responsibilities satisfactory to the Association.

Section 3.08. For purposes of carrying out Parts A.3 and C.2 of the Project, the Borrower shall cause the GBK Project Unit and the Nyungwe Project Unit to each enter into contracts satisfactory to the Association with farmers participating in the practice of Taungya in the Gishwati and Nyungwe plantations to ensure the proper practice and supervision of Taungya.

Section 3.09. For purposes of carrying out Parts C.3 and C.4 of the Project, the Borrower shall cause the Gishwati management of the GBK Project Unit to furnish assistance to the livestock owners in the preparation of their applications for agricultural credit from commercial banks.

Section 3.10. The Borrower shall:

(a) not later than December 31, 1987, carry out a study of the Borrower's livestock subsector and not later than February 29, 1988, carry out a land use study in the Gishwati forest, in accordance with terms of reference agreed upon with the Association;

(b) based on the recommendations of each such study, furnish to the Association for review and comments: (i) a draft action plan for the reorganization of the dairy products processing, pricing and marketing in the Borrower's territory; and (ii) a draft action plan for future land use and management of the degraded portion of the Gishwati forest; and

(c) based on such review and in agreement with the Association, finalize such action plans and promptly take all necessary measures to carry out each such action plans.

Section 3.11. The Borrower shall: (i) in accordance with terms of reference agreed upon with the Association, carry out a study on wood supply and demand, pricing and marketing; and (ii) not later than February 1, 1988, based on the recommendations of such study, furnish to the Association for review and comments a draft action plan on wood pricing policy. The finalization of such action plan in agreement with the Association shall allow the establishment of a wood and fuelwood pricing system satisfactory to the Association.

Section 3.12. For purposes of carrying out Part B.4 (a) of the Project, the Borrower shall: (a) select candidates in accordance with criteria agreed upon with the Association; and (b) make all necessary arrangements to retain the services of such candidates upon completion of their training.

Section 3.13. For purposes of establishing accounting systems within the Nyungwe Project Unit and DGF, the Borrower shall:

(a) within the Nyungwe Project Unit: (i) appoint and thereafter maintain for a period of eighteen months an experienced and qualified accounting and financial management expert with such responsibilities as shall be satisfactory to the Association; and (ii) not later than six months after the effectiveness of this Agreement, appoint and thereafter maintain an experienced and qualified chief accountant as counterpart to such accounting and financial management expert; and

(b) within DGF: appoint and maintain a qualified and experienced chief accountant with such responsibilities as shall be satisfactory to the Association.

Section 3.14. For purposes of keeping and managing the accounting system within the GBK Project Unit, the Borrower shall assign a qualified and experienced accountant with such responsibilities as shall be satisfactory to the Association.

Section 3.15. The Borrower shall: (a) not later than June 30, 1988, take all necessary measures for the creation of a forest conservation center in the Nyungwe forest with responsibilities agreed upon between the Borrower and the Association; (b) not later than December 31, 1992, or such other later date as the Association may agree, take all necessary measures to ensure the transfer of the Nyungwe Project Unit with its management and supervision responsibilities to the forest conservation center; and (c) cause the forest conservation center to take over such responsibilities.

Section 3.16. The Borrower shall take all necessary measures to ensure that: (a) not later than December 31, 1992, the management and supervision responsibilities of the GBK Project Unit for the Gishwati plantations under Part C.1 of the Project are transferred to DGF, and the management and supervision responsibilities of the GBK Project Unit for the Kigali-Butare plantations under Part D.1 of the Project and the staff necessary for the maintenance of such plantations are transferred to DGF according to a transfer schedule satisfactory to the Association; (b) starting not later than December 31, 1988, DGF enters into management contracts satisfactory to the Association for the management of certain plantation blocks by the Communes in the territory of which such plantations blocks are located; and (c) not later than December 31, 1992, the GBK Project Unit be dissolved in accordance with an action plan satisfactory to the Association.

Section 3.17. The Borrower shall: (a) not later than December 15, in each year, review with the Association the progress achieved in the carrying out of the activities under the Project; and (b) based on such review take all necessary actions satisfactory to the Association to improve such performance.

Section 3.18. For purposes of managing the pastures under Part C.3 of the Project, Gishwati's Dairy Operation, GBK's Veterinary Pharmacy, GBK's Beef Fattening Facility and CAT, the Borrower shall: (a) not later than June 30, 1989, furnish to the Association for review and comments, draft by-laws for the organization of a federation of livestock owners in Gishwati and proposals for: (i) the participation of pasture owners in the operating costs of the federation; and (ii) the structure and management of GBK's Dairy Operation, GBK's Beef Fattening Facility, GBK's Veterinary Pharmacy and CAT under such federation of livestock owners; and (b) based on such review and comments not later than December 31, 1989, take all necessary actions to finalize such proposals.

Section 3.19. (a) In order to recover part of the investment cost for the establishment of Gishwati's Dairy Operation, CAT, GBK's Beef Fattening Facility and GBK's Veterinary Pharmacy, the Borrower shall, not later than December 31, 1989, enter into Reimbursement Agreements with each such entity under terms and conditions which shall include, inter alia, the principal terms and conditions set forth in Part A of Schedule 6 to this Agreement.

(b) For the purposes of this Section "investment cost" means all direct investment cost related to the establishment of Gishwati's Dairy Operation, CAT, GBK's Beef Fattening Facility and GBK's Veterinary Pharmacy such as labor and labor equipment, all infrastructure investment related to the establishment of such entities, technical assistance cost, operating expenses and for CAT the cost of purchasing of cattle. The terms of such Reimbursement Agreements may be amended in agreement with the Association.

Section 3.20. (a) In order to recover part of the investment cost for the establishment of the pastures in the Gishwati area and those being maintained under Part C.3 of the Project, the Borrower shall modify the lease agreements with the farmers utilizing such pastures to include, inter alia, the principal terms and conditions set forth in Part B of Schedule 6 to this Agreement. The terms of such lease agreements may be further amended in agreement with the Association.

(b) For the purposes of this Section "investment cost" means all direct investment cost related to pasture establishment such as labor and labor equipment, all infrastructure investment related to pasture establishment, technical assistance cost associated with pasture establishment, operating expenses of the Kigali coordination office and Gishwati central office of the GBK Project Unit associated with pasture establishment, office buildings and housing related to the establishment of the pastures.

Section 3.21. For purposes of carrying out Parts A 1 and A 7 of the Project, the Borrower shall not later than February 1, 1988: (i) carry out a design study for the forestry and faunistic inventory in UGZ3 which will also establish a solid basis for complementary hydrological and soils analysis studies in the natural forest, and establish a natural resources monitoring and evaluation program; (ii) on the basis of such study, prepare a natural resources monitoring and evaluation program for the Nyungwe forest and a plan for the forestry and faunistic inventory; and (iii) furnish these to the Association for its approval.

Section 3.22. For purposes of carrying out Part B.3 of the Project, the Borrower shall not later than February 29, 1988: (i) furnish to the Association for review and comments the proposed design of the DGF monitoring and evaluation program for rural afforestation; and (ii) based on such review and in agreement with the Association, finalize such program and take all necessary measures for its prompt execution.

Section 3.23. The Borrower shall not later than February 1, 1988, furnish to the Association a schedule identifying: (i) the sector nurseries to be assisted under the seedling production and distribution program under Part B.1 (a) of the Project; and (ii) the first twenty groups of farmers

selected for the establishment of collective private nurseries under Part B.1 (b) of the Project.

Section 3.24. The Borrower shall take all necessary measures to establish a milk price mechanism ensuring efficient milk production and commercialization.

#### 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 each part 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 the Special Accounts 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 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 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 or payments out of the Special 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the 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.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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) that the Nyungwe Project Unit referred to in Section 3.03 (a) of this

Agreement has been established, the Project manager referred to therein has been appointed, the ecologist and the forester referred to in paragraph (b) of such Section have been employed;

(b) that the counterpart funds account and the three counterpart funds sub-accounts referred to in Section 3.04 of this Agreement have been established and the initial deposit into such counterpart funds account referred to therein has been made and such deposit has been apportioned among such counterpart funds sub-accounts in accordance with the provisions of paragraph (c) of such Section;

(c) that the commission referred to in Section 3.05 of this Agreement has been established and that the legal boundaries of the Nyungwe buffer plantations have been established and such boundaries have been demarcated;

(d) that the number of staff employed by the GBK Project Unit, GBK's Beef Fattening Facility, Gishwati's Dairy Operation, GBK's Veterinary Pharmacy and CAT have been reduced to a level satisfactory to the Association pursuant to the provisions of Section 3.06 (i) of this Agreement;

(e) that the accounting and financial management expert referred to in Section 3.13 (a) (i) of this Agreement and the Chief accountant referred to in sub-paragraph (b) of such Section have been employed;

(f) that the lease agreements referred to in Section 3.20 of this Agreement have been modified and a number of farmers utilizing such pastures satisfactory to the Association has signed the amending agreements reflecting such modifications; and

(g) that the price mechanism referred to in Section 3.24 has been developed.

Section 5.02. The date one hundred twenty (120) 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 Ministry of Finance and Economy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economy  
B.P. 158  
Kigali  
Rwanda

Cable address:

MINIFINECO

Telex:

502 MINAFFET

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT),  
248423 (RCA) or



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.

RWANDESE REPUBLIC

By /s/ Simon Insonere

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Sven Sandstrom

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) Nyungwe Project Unit:		
(a) Civil works under Parts A.1, A.2, A.4 and A.6 of the Project	995,000	70%
(b) Vehicles and mate- rials under Parts A.1, A.2, A.4 and A.6 of the Project	497,000	100% of foreign expenditures and 90% of local expen- ditures
(c) Consultants' services under Parts A.1, A.2, A.6 and A.7 of the Project	926,000	100%
(d) Training and studies under Part A.1 of the Project	186,000	100% of foreign expenditures and 90% of local expen- ditures
(e) Operating costs under Parts A.1	346,000	60%

to A.7 (a), E.5  
and E.6 of the  
Project

(2) DGF:

(a) Civil works under Part B.1 of the Project	48,000	70%
(b) Vehicles and materials under Parts B.1 and E.4 of the Project	313,000	100% of foreign expenditures and 90% of local expen- ditures
(c) Consultants' services under Parts B.3 and E.4 of the Project	144,000	100%
(d) Training and studies under Part 3.4 of the Project	689,000	100% of foreign expenditures and 90% of local expen- ditures
(e) Operating costs under Parts B and E.4 of the Project	83,000	60%

(3) GBK Project Unit:

(A) Civil works:		70%
(i) under Part D.1 of the Project	171,000	
(ii) under Parts A.8, A.9, C.1, C.9 and E.5 of the Project	481,000	
(iii) under Part C.3 of the Project	181,000	
(iv) under Part C.8 (c) of the Project	590,000	
(v) under Part C.11 of the Project	234,000	
(vi) under Parts C.10 (a), C.10 (c), C.10 (d), C.10 (g) and E.3 of the Project	631,000	
(vii) under Part F.1 of the	39,000	

Project		
(B) Vehicles and materials:		100% of foreign expenditures and 90% of local expenditures
(i) under Part D of the Project	180,000	
(ii) under Parts A.8, A.9 C.1 and C.9 of the Project	238,000	
(iii) under Part C.5 of the Project	205,000	
(iv) under Parts C.10 (a) to C.10 (d) and C.10 (g) of the Project	303,000	
(v) under Part F of the Project	204,000	
(C) Consultants' services under Parts C.4, C.7 and C.10 (a) of the Project	260,000	100%
(D) Training and studies under Part C.10 of Project	117,000	100% of foreign expenditures and 90% of local expenditures
(E) Operating costs:		60%
(i) under Part D of the Project	271,000	
(ii) under Parts A.7 (b) to A.10, C.1 to C.9, E.1, E.2 and E.5 of the Project	653,000	
(iii) under Part C.10, and E.3 of the Project	207,000	
(iv) under Part F of the Project	37,000	
(4) Refunding of Project Prepara-	1,166,000	Amount due pursuant to Sec-

tion Advance

tion 2.02 (c)  
of this Agree-  
ment

(5)	Unallocated	605,000
	TOTAL	11,000,000

2. If the amount allocated to Category (4) above is in excess of the amount due, the excess will be reallocated to Category (5).

3. For the purposes of this Schedule:

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

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

4. 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 Category (3)(B)(iii) unless the Borrower has finalized an action plan for the dairy products processing, pricing and marketing satisfactory to the Association pursuant to the provisions of Section 3.10 (c) of this Agreement; and (c) payments made for expenditures under Category (3)(A)(iv) unless the Borrower has finalized an action plan for future land use and management of the degraded portion of the Gishwati forest satisfactory to the Association pursuant to the provisions of Section 3.10 (c) of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) strengthening its policies for the protection, establishment and conservation of natural forests and the promotion of agro-forestry to increase fuelwood and sawlog production; (ii) strengthening the planning, monitoring and evaluation capacity of forestry activities at DGF; and (iii) increasing private sector participation in integrated agriculture, forestry and livestock activities.

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: Protection and Conservation of the Nyungwe and Gishwati natural forests.

1. Carrying out of a forestry and faunistic inventory and thereafter of complementary studies on hydrological and soils analysis to complete the information base concerning the biological and ecological composition of the Afromontane forest in Nyungwe (UGZ3).
2. Establishment of about 900 ha of buffer plantations in the Nyungwe forest.
3. Establishment of a system to supervise the practice of Taungya in the Nyungwe forest.
4. Construction of about 65 km of access road to the Nyungwe forest boundary.
5. Strengthening the organization of a system of forest guards and establishment of guard posts within the Nyungwe forest.
6. Construction of offices and housing and provision of equipment and of the services of a financial expert for the Nyungwe Project Unit.
7. Establishment of a natural resource monitoring and evaluation system:

- (a) in the Nyungwe forest; and
  - (b) in the Gishwati forest.
8. Establishment of about 200 ha of buffer plantations in the Gishwati forest.
  9. Rehabilitation of about 10 km of trail in the Gishwati forest along the northern border of the reserve.
  10. Strengthening the system of forest guards in the Gishwati forest.

Part B: Agroforestry and rural afforestation.

1. Strengthening the seedling production and distribution programs by:
  - (a) the rehabilitation of about 60 sector nurseries in eight Communes located in the Prefectures of Kigali and Butare;
  - (b) the development of collective private nurseries managed by farmer groups; and
  - (c) establishment at DGF of a forestry seed storage center to facilitate seed distribution.
2. Implementation of a system of direct cost recovery by DGF for seedlings produced in the nurseries at village-level.
3. Establishment of a rural afforestation monitoring and evaluation program.
4. Strengthening of the national competence (DGF) for forestry planning management, monitoring and evaluation by:
  - (a) the training of higher level foresters; and
  - (b) the provision of trainer courses for local forestry workers and professionals.

Part C: Integrated Forestry, Agriculture and Livestock Development in Gishwati.

1. Maintenance of about 2,100 ha of plantations and of about 50 km of plantation roads.
2. Establishment of a supervision system for the practice of Taungya.
3. Maintenance of about 1,600 ha of pastures.
4. Strengthening the livestock monitoring capacity by the Gishwati zootechnical services and the administration of the Gishwati livestock unit.
5. Establishment of about 30 ha of quarantine zones, a slaughter slab at the GBK's Beef Fattening Facility and provision of dairy equipment to Gishwati's Dairy Operation.
6. Strengthening the program for the use of artificial insemination.
7. Establishment of a federation of livestock owners in Gishwati.
8. Carrying out of a land use study to: (a) determine current land uses in the Gishwati area; (b) identify sites suitable for forest protection, plantation development, livestock promotion and other types of development; and (c) implementation of new approaches to land development.
9. Establishment of 2,000 ha of sawlog plantations to protect denuded forest areas.
10. Strengthening of extension services in the Communes of Rewerere, Kanama and Mutura and strengthening the coordination of extension activities in the Gisenyi

Prefecture by inter alia:

(a) strengthening successful extension themes on erosion control through on-farm terracing, strengthening improved techniques for potato growing including the use of fertilizer and insecticides and strengthening rural afforestation;

(b) carrying out of a program of on-farm testing and introduction of multi-purpose woody species for erosion control, fodder production and fuelwood;

(c) introducing optimum methods of integration of live-stocks on small farms without sufficient space for fodder production and limited fallow land;

(d) strengthening successful extension themes on the value of the natural forest and improved animal nutrition and health care;

(e) introducing a new system of agricultural input supply and distribution through groups of farmers and merchants;

(f) provision of training to extension agents and subject matter specialists; and

(g) strengthening the supervision, monitoring, evaluation and coordination of extension activities at the Prefecture level.

11. Establishing about 150 ha of pastures in the degraded part of the Gishwati forest.

Part D: Maintenance of Kigali-Butare Fuelwood and Pole Short Rotation Plantations.

1. Maintenance of about 3,600 ha of the productive plantations, about 700 km of firebreaks, about 600 km of access tracks and construction of about 32 km of extraction tracks for harvesting of the older plantations.

2. Provision of small tools and a tractor trailer for extraction activities.

Part E: Applied Research.

1. Support to ISAR to carry out on-farm and on-plantation trials directly related to project implementation problems.

2. Carrying out of a program of on-site experiments, and complementary feed trials on the Kikuyu grass pastures of Gishwati including use of concentrate feeds and minerals.

3. Carrying out in the Communes of Rwerere, Mutara and Kanama of a program of on-farm selection of multipurpose leguminous trees contributing to soil fertility, and providing fodder; and spacing trials of fast growing agroforestry species.

4. Carrying out of an analysis of existing data on sample plots.

5. Establishment of fertilizer trials and other trials in the existing plantations of Kigali, Butare and Gishwati, and establishment of species tests for new plantation areas in Gishwati and Nyungwe and testing methods for protection against rat damage of cypressplantations.

6. Carrying out of natural forest management research by the Nyungwe Project Unit in UGZ3 with the assistance of ISAR.

Part F: Mutara Pasture Rehabilitation.

1. Rehabilitation of about 1,500 ha of pastures including studies and consultations with ISAR.

2. Provision of equipment, materials and tools.

\* \* \* \* \*

The Project is expected to be completed by December 31, 1992.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

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

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. To the extent practicable, contracts for vehicles and equipment shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

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

In the procurement of goods in accordance with the procedures described in Part A 1 hereof, goods manufactured in the Rwandese Republic 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. Equipment and vehicles estimated to cost less than \$100,000 per contract and civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the applicable procedures of the Borrower.
2. Equipment and vehicles estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000, and spare parts and fuel 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 the procedures referred to in paragraph 3.4 of the Guidelines.
3. Equipment estimated to cost less than \$1,000 per contract may be procured through regular commercial and other channels, at a reasonable price, account being taken of relevant factors such as time of delivery.

###### Part D: Review by the Association 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 \$50,000 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 any 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 Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of any 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 any of the Special Accounts, such 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 Association pursuant to said 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.

3. The figure of 20% 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 agricultural, forestry, socioeconomic, management and financing 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.

In accordance with the principles set forth in such Guidelines and more specifically in paragraph 1.11 to 1.14, the Borrower shall include in the shortlist to be prepared prior to the award of each contract one or several local consultants firms if such firms are qualified to execute the tasks which are prescribed, either on their own or in association with foreign firms.

### SCHEDULE 4

#### Implementation Program

##### A. Organization and Administration:

1. The Borrower shall carry out the administrative coordination of the implementation of the Project through PMC. The coordination and administration of the activities under the Project shall be the responsibility of PMC. PMC shall be chaired by the Secretary General with representation from all parties involved in the execution of the Project and representation from the Borrower's Ministries of Finance and of Planning. The management and implementation of the different Parts of the Project shall remain separated. Day to day implementation and administration of the activities under Parts A to F of the Project shall be delegated to the GBK Project Unit, the Nyungwe Project Unit, DGF and OVAPAM in the following manner:

(a) The Nyungwe Project Unit shall be responsible for implementing the Nyungwe natural forest protection component under Part A of the Project.

(b) DGF shall implement the agroforestry and rural afforestation component under Part B of the Project and with the assistance of ISAR, the analysis of the experimentation trials under Part E.4 of the Project.

(c) The GBK Project Unit shall be responsible for: (i) through its Gishwati sub-project unit office the implementation of the forestry, livestock, and agricultural activities in Gishwati under Part C of the Project and with the assistance of ISAR the on-farm and plantation trials under Parts E.2, E.3 and E.4 of the Project; (ii) through its Kigali-Butare plantation unit the maintenance of plantations in Kigali-Butare under Part D of the Project and with the assistance of ISAR the experimentation and trials in the plantations under Part E.4 of the Project; and (iii) through its Kigali coordination unit headed by the GBK Project coordinator, the planning and preparation of annual work plans, supervision of work plan realization, assistance with personnel matters for activities under GBK Project Unit's jurisdiction.

(d) ISAR under a contract will assist in the carrying out of all applied research under Part E of the Project;

(e) OVAPAM is responsible for the implementation of Part F of the Project with the assistance of ISAR.

2. Upon the dissolution of the GBK Project Unit and the transfer of the



responsibilities of the Nyungwe Project Unit to the forest conservation center, all the activities previously managed by the GBK Project Unit under the Project shall be integrated into MINAGRI or transferred to the private sector of the Borrower's economy and all those previously managed by the Nyungwe Project Unit under the Project shall be transferred to the forest conservation center.

B. Work Plans and Budgets

Annual work programs and budgets shall be prepared for each component of the Project and furnished to PMC for its review by September 15 of each year.

Such work programs and budgets shall detail the objectives and targets of the component for the year in question, the specific activities to be carried out and the required human and financial resources. Annual work programs shall include the following: (a) a brief evaluation of the previous year's performance as compared to the objectives and a comparison of results obtained; (b) detailed investment and operating budgets; (c) staffing and training plans with a statement of specific objectives; (d) a financing plan; and (e) a procurement plan. After PMC's review, annual work programs shall be sent to the Association for their approval not later than October 31 in each year.

C. Reporting

1. The GBK Project Unit, the Nyungwe Project Unit, DGF and OVAPAM shall each be responsible for the preparation of quarterly progress reports on their respective components of the Project. Such reports will cover in particular the status of preparation of the work programs and budgets mentioned in paragraph B of this Schedule. Such progress reports shall be furnished to PMC for its review and subsequently to the Association.

2. MINAGRI (DCE) shall be responsible for the preparation of annual progress reports summarizing the progress achieved in the execution of each component of the Project. Such progress reports shall be furnished to the Association for its review not later than October 31 in each year.

3. Within six months of the Closing Date, the Borrower shall furnish to the Association a Project Completion Report of such scope and in such detail as the Association shall have reasonably requested.

SCHEDULE 5

Special Accounts A, B and C

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the 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 (i) an amount equivalent to \$250,000 to be withdrawn from the Credit Account and deposited in Special Account A and to be used exclusively for eligible expenditures under Parts A.1 to A.7 (a) and E.6 of the Project pursuant to the provisions of paragraph 3 (a) of this Schedule; (ii) an amount equivalent to \$90,000 to be withdrawn from the Credit Account and deposited in Special Account B and to be used exclusively for eligible expenditures under Parts B and E.4 of the Project pursuant to the provisions of paragraph 3 (a) of this Schedule; and (iii) an amount equivalent to \$650,000 to be withdrawn from the Credit Account and deposited in Special Account C and to be used exclusively for eligible expenditures under Parts A.7 (b) to A.10, C, D, E.1, E.2, E.3, E.5 and F of the Project pursuant to the provisions of paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of Special Account A, B and C 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish a 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 Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in such Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of such Special Account at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into such Special Account such amounts as shall be required to replenish such Special Account with amounts not exceeding the amount of payments made out of such 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 furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of a Special Account, the Borrower shall furnish to the Association, prior to or with any request for replenishment or upon request of the Association 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 a 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 for the Project, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect of 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 for 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 a 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 a 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 such 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 any of the Special Accounts 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 any of the Special Accounts 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 for crediting to the Credit Account.

SCHEDULE 6

Cost Recovery

A. Terms and Conditions of the Reimbursement Agreements

For the purpose of reimbursing the Borrower for part of the investment cost for their establishment each of Gishwati's Dairy Operation, CAT, GBK's Beef Fattening Facility and GBK's Veterinary Pharmacy shall pay to the Borrower:

(i) the equivalent in FR of the balance between the total investment cost for the establishment of each such entity and the equity contribution made by the Borrower to cover part of such investment cost;

(ii) the amounts described in paragraph (i) above shall be reimbursed by GBK's Dairy Operation, CAT, GBK's Beef Fattening Facility and GBK's Veterinary Pharmacy over a period of twenty (20) years including a five (5) year grace period; and

(iii) GBK's Dairy Operation, CAT, GBK's Beef Fattening Facility and GBK's Veterinary Pharmacy shall pay to the Borrower interest at the rate of 7.92% per annum on the amounts to be reimbursed and outstanding from time to time.

B. Terms and Conditions for the Lease Agreements

For the purpose of reimbursing the Borrower for part of the investment cost for the establishment of the pastures in the Gishwati area, the rent amount to be paid by the farmers to the Borrower shall include:

(i) the equivalent in FR of the balance between the total investment cost for the establishment of such pastures and the equity contribution made by the Borrower to cover part of such investment cost;

(ii) the equivalent in FR of the total amount invested to complete the establishment of the pastures under Part F.1 of the Project;

(iii) the amounts described in paragraph (i) above shall be paid by the farmers over a period of twenty (20) years including a five (5) year grace period; and

(iv) the farmers shall pay to the Borrower interest at the rate of 7.92% per annum on the amounts to be paid and outstanding from time to time.

