

CONFORMED COPY

CREDIT NUMBER 2572 IN

Development Credit Agreement

(Forestry Research Education and Extension Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 9, 1994

CREDIT NUMBER 2572 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 9, 1994, between INDIA, Acting by its President, (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) Part A of the Project will be carried out by Indian Council for Forestry Research and Education (ICFRE) (as hereinafter defined), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ICFRE a portion of the proceeds of the Credit as provided in this Agreement;

(C) Part C (i) and (ii) of the Project will be carried out by the States of Himachal Pradesh and Tamil Nadu (the States), with the Borrower's assistance, and as part of such assistance the Borrower will make available to each of the States a portion of the proceeds of the Credit as provided for in this Agreement:

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 and in the Project Agreement of even date herewith between the Association and ICFRE,

and the Project Agreement of even date hereof between the Association and the States.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "ICFRE" means Indian Council for Forestry Research and Education, a Society established under the Societies Registration Act, 1860, as amended to date, and operating according to its Memorandum of Association;

(c) "Memorandum of Association" means the Memorandum of Association of ICFRE, dated May 30, 1991;

(d) "ICFRE Institutes" means the institutes under ICFRE, namely, the Forest Research Institute, Dehra Dun; the Institute of Forest Genetics and Tree Breeding, Coimbatore; the Institute of Wood Science and Technology, Bangalore; the Tropical Forest Research Institute, Jabalpur; the Institute of Arid Forestry Research, Jodhpur; the Institute of Rain and Moist Deciduous Forest Research, Jorhat; Temperate Forest Research Institute, Shimla and the Forest Research Centers at Allahabad, Chhindwara and Hyderabad;

(e) "MOEF" means the Ministry of Environment and Forests of the Borrower, or any successor thereto;

(f) "ICFRE Agreement" means the Project Agreement between the Association and ICFRE of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the ICFRE Agreement;

(g) "Himachal Pradesh" means the State of Himachal Pradesh, a state of the Borrower, or any successor thereto;

(h) "Tamil Nadu" means the State of Tamil Nadu, a state of the Borrower, or any successor thereto;

(i) "Project States" means the States of Tamil Nadu and Himachal Pradesh of the Borrower, or any successor or successors thereto;

(j) "The States Agreement" means the Project Agreement between the Association and the Project States of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the States Agreement;

(k) "NGO" means non-governmental organization; and

(l) "Protected Areas, or PAs" means the Great Himalayan National Park (GHNP) in Himachal Pradesh, and the Kalakad Mundanthurai Tiger Reserve (KMTR) in Tamil Nadu.

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 thirty three million eight hundred thousand Special Drawing Rights (SDR 33,800,000).

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 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 a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2004 and ending February 15, 2029. Each installment to and including the installment payable on February 15, 2014 shall be one and one-fourth per cent ($1-1/4\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2-1/2\%$) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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:

(i) shall carry out Parts B and C (iii) of the Project through MOEF with due diligence and efficiency and in conformity with appropriate administrative, financial and forestry research practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ICFRE and the Project States each to perform all its obligations set forth in the ICFRE Agreement, and the States' Agreement, respectively, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ICFRE and the Project States to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make available as a grant SDR 29,100,000 out of the proceeds of the Credit to ICFRE for the purpose of assisting in carrying out Part A of the Project, in accordance with the Borrower's standard arrangements for development assistance.

(c) The Borrower shall make available SDR 1,200,000 out of the proceeds of the Credit to Himachal Pradesh for the purpose of assisting in carrying out of Part C (i) and (ii) of the Project, in accordance with the Borrower's standard arrangements for development assistance to the States of India.

(d) The Borrower shall make available SDR 1,400,000 out of the proceeds of the Credit to Tamil Nadu for the purpose of assisting in carrying out Part C (i) and (ii) of the Project, in accordance with the Borrower's standard arrangements for development assistance to the States of India.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and C (i) and (ii) of the Project shall be carried out by ICFRE and the Project States, respectively, pursuant to Sections 2.03 of each of the ICFRE Agreement and the States Agreement.

Section 3.04. The Borrower shall cause MOEF to prepare the terms of reference for the first three policy analysis studies, and for all preparation studies, under Part B of the Project, and agree with the Association on such terms of reference, not later than February 28, 1997.

Section 3.05. The Borrower shall cause MOEF to undertake, in collaboration with the Association, ICFRE and the Project States, not later than February 28, 1997, a mid-term review of the Project, and shall thereafter implement the recommendations of such review.

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 Parts B and C (iii) of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine 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 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 Association has received the audit report 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

Remedies of the Association

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

(a) ICFRE or either of the Project States shall have failed to perform any of its obligations under the respective Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ICFRE or either of the Project States will be able to perform its obligations under the respective Project Agreement.

(c) The Memorandum of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ICFRE to perform any of its obligations under the ICFRE Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or dis-establishment of ICFRE or for the suspension of its operations.

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

(a) any event specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that, an institution acceptable to the Association for the provision of the consultants' services under Part A of the Project has been identified, and a contract for the provision of such services, satisfactory to the Association, has been agreed upon.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the ICFRE Agreement has been duly authorized or ratified by ICFRE, and is legally binding upon ICFRE in accordance

with its terms;

(b) that the States Agreement has been duly authorized or ratified by each of the States, and is legally binding upon each State in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs in the Ministry of Finance 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:

The Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

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:

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

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

INDIA

By /s/ N. Valluri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ D. Joseph Wood
Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works (except for Parts A.1 (ii); A.2 (ii) and C (i))	6,000,000	75%
(2) Equipment and materials (except for Parts A.1 (ii); A.2 (ii) and C (i))	6,200,000	100% of foreign expenditures and 100% of local expenditures (ex- factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services and training (except for Parts A.1 (ii); A.2 (ii) and C (i))	11,400,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Plant establishment costs under Part A.2 (v) of the Project	1,400,000	75%
(5) Equipment, vehicles, consultants' services, training and studies, and incremental operating costs under research grant and extension support under Part A.1 (ii) and A.2 (ii) of the Project	4,100,000	100% of foreign expenditures and 80% of local expenditures
(6) Civil works, equipment consultants' services, training and studies and incremental operating costs for the eco-development support fund under Part C (i)	1,500,000	100% of foreign expenditures and 80% of local expenditures

of the Project

(7) Incremental operating costs (except for Parts A.1 (ii); A.2 (ii) and C (i))	3,200,000	85% until December 31, 1996, and 50% thereafter
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TOTAL	33,800,000	=====
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2. For the purposes of this Schedule:

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

(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;

(c) the term "incremental operating costs" means the incremental costs for operation and maintenance of additional buildings, equipment and vehicles incurred by the Borrower, ICFRE or the Project States for the purposes of carrying out the Project; and

(d) the term "plant establishment costs" means the aggregate total costs of seeds, nurseries, land preparation (including labor), inputs for tree plantation and maintenance and protection.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

- (i) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not to exceed SDR 2,900,000 may be made on account of payments made for expenditures before that date but after September 30, 1993;
- (ii) under Category (5) until the Association has approved the criteria for assessing proposals for grant funding under the extension support fund under Part A.1 (ii), and the research grant fund under Part A.2 (ii) of the Project; and
- (iii) under Category (6) until the Association has approved the criteria for assessing proposals for implementation of the eco-development programs under Part C (i) of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditures for expenditures under contracts for works not exceeding \$200,000 equivalent, for goods not exceeding \$100,000 equivalent, and for incremental operating costs 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: (i) to strengthen the capacity of national and State forest institutions to plan and undertake priority research programs, (ii) to improve the system of forestry education in research and academic institutions, and the extension of research findings, (iii) to improve the policy analysis and project preparation capabilities within MOEF, and (iv) to

develop and test on a pilot basis methods for conservation of biological resources in protected areas through eco-development.

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:

1. Research Management:

Development of ICFRE to improve the management and coordination of forestry research and extension through provision of: (i) staff training, studies and consultants' services for the development of priority setting methodologies and a management information system; (ii) establishment of an extension support fund; and (iii) a new building and necessary computing and office equipment.

2. Research Program Support

- (i) Provision of necessary infrastructure and equipment for selected research programs in ICFRE's institutes;
- (ii) Establishment of a research grant fund to commission research by private and public sector agencies outside ICFRE;
- (iii) Provision of support to the forestry research system as a whole, through human resource development;
- (iv) Provision of equipment required by the research programs, scientific reviews of institutes and on-going research programs;
- (v) Improvement of planting stock through provision of seeds, planting materials and establishment of seed orchards, nurseries and multiplication gardens; and
- (vi) Improvement of library and information system through provision of buildings, books and materials, and improvement in the management and processing of forestry statistics through development of a Forestry Statistics Unit within ICFRE.

3. Forestry Education:

- (i) Development of and validation of forestry curricula in formal education through provision of consultants' services for review and revision work; and
- (ii) Development of the Deemed University at the Forestry Research Institute, Dehra Dun, through provision of post-graduate research and fellowships for socio-economic as well as technical research, buildings and equipment.

Part B:

Forestry Policy and Preparation

- (i) Strengthening capabilities for policy analysis within MOEF, in particular analysis of economic implications of various policy decisions through provision of training, studies, consultants' services and equipment; and

- (ii) Preparation of future projects in the forestry sector through the provision of consultants' services and workshops.

Part C: Conservation of Biodiversity

- (i) Development and implementation of programs for eco-development and resource management around two Protected Areas (PAs), the Great Himalayan National Park (GHNP) in Himachal Pradesh, and the Kalakad Mundanthurai Tiger Reserve (KMTR) in Tamil Nadu through the involvement of local communities and NGOs and the establishment of an eco-development support fund for the financing of such programs;
- (ii) Improving planning and managements of the PAs through provision of infrastructure, communications, training, consultants' services and public awareness programs; and
- (iii) Provision of consultants' services for assisting in carrying out of research and monitoring and evaluation programs.

* * *

The Project is expected to be completed by June 30, 1999.

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 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 1992 (the Guidelines).

(a) For fixed price contracts, the invitation to bid referred to paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency components of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purpose of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

(c) To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India 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. Except as provided in paragraph 2 below, civil works contracts estimated to cost the equivalent of more than \$10,000 per contract, up to an aggregate amount not exceeding \$10 million, may be procured through local competitive bidding procedures advertised locally, in accordance with procedures acceptable to the Association.
2. Civil works, estimated to cost the equivalent of not more than \$1 million, may be carried out by force account, in accordance with procedures acceptable to the Association.
3. Except as provided in paragraph 4 below, equipment and vehicles estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$1 million, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
4. Items or groups of items estimated to cost the equivalent of \$60,000 or less per contract, up to an aggregate amount equivalent to \$1.1 million for vehicles, and \$1 million for equipment, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

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 for goods estimated to cost the equivalent of \$100,000 or more, and for civil works estimated to cost the equivalent of \$200,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract 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 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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

Section II: Employment of Consultants

1. In order to assist in the carrying out of the Project, the Borrower, ICFRE and the Project States shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and

by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultants' Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provision of the Consultants Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts, nor to the employment of individuals, to single source selection of firms, to assignment of critical nature as reasonably determined by the Association, and to amendments to contracts raising the contract value to \$100,000 equivalent or more.

3. For complex, time based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6) and (7) 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 an amount equivalent to \$2.5 million to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the 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 a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall 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 paragraphs 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.

