

CONFORMED COPY

CREDIT NUMBER 2916 IN

Development Credit Agreement

(Ecodevelopment Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 30, 1996

CREDIT NUMBER 2916 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 30, 1996, 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) the Borrower intends to obtain from the Global Environment Facility (GEF) a grant (the Grant) in an amount equivalent to thirteen million nine hundred thousand Special Drawing Rights (SDR 13,900,000) to assist in financing the Project on the terms and conditions set forth in the Global Environment Facility Trust Fund Grant Agreement (the Grant Agreement) of even date herewith, entered into between the Borrower (therein referred to as the Recipient) and the International Bank for Reconstruction and Development acting as an implementing agency of the GEF (the Bank);

(C) parts A, B, C and D of the Project will be carried out by the States of Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Rajasthan and West Bengal (the Project States) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project States part of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith among the Association, the Bank and the Project 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 modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

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

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

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

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

(b) "Project States" means the States of Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Rajasthan and West Bengal, of the Borrower, and the term "State" means any of those States;

(c) "Project Agreement" means the agreement among the Association and the International Bank for Reconstruction and Development acting as an Implementing Agency of the Global Environment Facility Trust Fund, 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 Project Agreement;

(d) "Grant Agreement" means the agreement between the Borrower and International Bank for Reconstruction and Development acting as an Implementing Agency of the Global Environment Facility Trust Fund 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 Grant Agreement;

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

(f) "NGO" means non-governmental organization;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 31, 1995, and March 1, 1995, between the Borrower and the Association;

(h) "Protected Areas or PAs" means (i) Palamau Tiger Reserve in Bihar, (ii) Gir National Park and Gir Sanctuary in Gujarat, (iii) Nagarhole (Rajiv Gandhi) National Park in Karnataka, (iv) Periyar Tiger Reserve in Kerala, (v) Pench Tiger Reserve in Madhya Pradesh, (vi) Ranthambhore Tiger Reserve in Rajasthan, and (vii) the Buxa Tiger Reserve in West Bengal, and PA means any of those PAs; and

(i) "Fiscal Year" means the Borrower and the Project States' fiscal year, starting April 1, and ending March 31 of each year.

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 nineteen million five hundred thousand Special Drawing Rights (SDR 19,500,000).

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 may, 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.

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

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date 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 semiannual installments payable on each February 15 and August 15 commencing February 15, 2007 and ending August 15, 2031. Each installment to and including the installment payable on August 15, 2016 shall be one and one-fourth percent (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 E and F of the Project through MOEF with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices, and shall provide, promptly as needed, the funds and services required for Parts E and F of the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause the Project States to perform in accordance with the provisions of the Project Agreement all the obligations of the Project States therein set forth, shall take and cause to be taken all action, including the provision of funds and services necessary or appropriate to enable 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) Without limitation to the provisions of paragraph (a) (i) of this Section, and except as the Association and the Borrower shall otherwise agree, the Borrower shall cause MOEF to carry out Parts E and F in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, and arrangements agreed with the Association.

(c) The Borrower shall make part of the proceeds of the Credit

available to the Project States through MOEF, 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 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, B, C and D of the Project shall be carried out by each of the Project States pursuant to Section 2.03 of the Project Agreement.

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 E and F of the Project of the departments or agencies of the Borrower responsible for carrying out Parts E and F of the Project.

(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 expenditures, 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 for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal

year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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) Any of the Project States shall have failed to perform any of its obligations under the 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 any of the Project States will be able to perform its obligations under the Project Agreement.

(c) The Recipient shall have failed to perform any of the obligations under the Grant Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the events specified in Sections 5.01 (a) and 5.01 (c) 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.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, 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, namely that the Project Agreement has been duly authorized or ratified by each of the Project States, and is legally binding upon each of the Project States in accordance with its terms.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

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, PIN 110001
India

Cable address:

Telex:

ECOFAIRS
New Delhi

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/ Sudhakar Rao

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Heinz Vergin

Acting 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 for Parts A, C, D, and E of the Project	1,900,000	40%
(2) Equipment, materials, vehicles and draft animals for Parts A, B (a), C, D and E of the Project	700,000	50% of foreign expenditures, 50% of local expenditures (ex-factory cost) and 40% of local expenditures for other items procured locally
(3) Civil works, equipment, materials and livestock for Parts B (b) and B (c) of the Project	9,000,000	50%

(4) Consultants' services, (including NGO's services), studies, training and workshops for Part A through Part E of the Project	4,000,000	50%
(5) Project management travel cost	200,000	40%
(6) Consultants' services (including NGO's services), training and workshops for Part F of the Project	1,400,000	100%
(7) Refunding of Project Preparation Advance	1,400,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	900,000	
	<hr/>	
TOTAL	19,500,000	=====

2. For the purposes of this Schedule:

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

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

(c) the term "Project management travel costs" means the travel costs by the staff of the Forest Departments of the Project States and MOEF in connection with management and supervision of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 1,400,000 may be made on account of payments made for expenditures before that date but after December 31, 1995.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for (a) goods and works under contracts not exceeding \$100,000 equivalent; (b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants, respectively; (c) training and fellowships; (d) Project management travel costs; and (e) works procured under direct contracting, force account, or community participation, all 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 assist in the conservation of biodiversity by implementing an ecodevelopment strategy that would increase collaboration between people in and around the PAs and PA managers and improve PA management; and (ii) to support the preparation of future biodiversity projects in India.

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

Part A: Improving PA Management

- (a) (i) Strengthening the planning system for PA management and protection, and the capacity to implement the resulting plans by updating such plans, incorporating ecological considerations, broadening participation of people in and around the PAs, developing financial sustainability strategies and integrating other Project initiatives into the PA management plans, through provision of NGO and consultants' services, studies, workshops, associated travel costs and training.
- (ii) Incorporating PA conservation concerns into regional planning and regulation through provision of NGO and consultants' services, studies, workshops, associated travel costs and training.
- (b) (i) Ecosystem and habitat restoration through provision of works and associated staff supervision aimed at improving the viability of habitats and wildlife in and around the PAs.
- (ii) Strengthening fire, poaching and animal control through provision of communications equipment, vehicles, draft animals, minor access track improvements, fire watch towers, sign boards, boundary markers, training in fire management, patrolling and wild animal controls.
- (c) Upgrading amenities for PA staff through provision of works, equipment, materials and training.

Part B: Village Ecodevelopment

- (a) Conducting participatory microplanning and providing implementation support to the PAs, through provision of NGO and consultants' services, workshops, materials, training, and associated travel.
- (b) Implementing reciprocal commitments between the PA management and people in and around the PAs regarding specific measurable actions by these people to improve conservation and associated investments that foster alternative resource uses and livelihoods for these people through provision of works, small equipment, materials and livestock.
- (c) Supporting special programs in and around the PAs, comprising:
 - (i) Plantation activities under joint forest management in reserve forests in the immediate vicinity of the PAs.
 - (ii) Voluntary relocation option for people in the PAs through provision of NGO and consultants' services, workshops, materials, associated travel, support to households for maintaining their livelihoods in the transitional period through employment, asset creation, training and activities that support cultural continuity.
 - (iii) Supplemental investments that benefit PA biodiversity conservation and people in and around the PAs.

Part C: Education and Awareness, and Monitoring and Research

- (a) Promoting public support for conservation through environmental education and awareness campaigns and development and implementation of ecotourism and visitor strategies through NGO and consultants' services, studies, training, workshops, works, equipment and materials.

(b) Supporting monitoring and research to improve understanding of issues and solutions relevant to PA management and interactions between PAs and people in and around the PAs, through NGO and consultants' services, special studies, works, equipment, training, workshops, transport and materials.

Part D: Supporting Project Management for PAs:

Provision of NGO and consultants' services, workshops, training, vehicles, office equipment and materials for:

- (i) Project administration and financial management services; and
- (ii) translation of project documents and dissemination of project information.

Part E: Supporting Project Management for MOEF:

Provision of NGO and consultants' services, workshops, training, vehicles, office equipment and materials for:

- (i) Project administration and financial management services;
- (ii) translation of project documents and dissemination of project information;
- (iii) policy and strategic framework studies relating to financial sustainability, visitor management and ecotourism, and ecodevelopment incentives and income impacts;
- (iv) national level implementation support and capacity development; and
- (v) Project implementation reviews.

Part F: Preparation of Future Biodiversity Projects:

Provision of NGO and consultants' services, studies, workshops and training for assisting in preparation of future biodiversity projects in India.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

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

- (a) Grouping of Contracts

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

(b) Preference for Domestically Manufactured Goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Except as provided under paragraph 3 below, works estimated to cost \$20,000 equivalent or more per contract and \$450,000 equivalent or less in the aggregate shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

- (i) Except as provided under paragraph 4 below, equipment and materials estimated to cost \$20,000 equivalent or less per contract, and
- (ii) vehicles estimated to cost less than \$100,000 equivalent per contract and not more than \$650,000 equivalent in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting, Force Account and Community Participation

Works which meet the requirements of paragraphs 3.7, 3.8 or 3.15 of the Guidelines, and estimated to cost less than \$20,000 equivalent per contract may be carried out either (i) under community participation provision, by direct contracting with village communities or NGOs, (ii) by soliciting quotations from at least three qualified contractors, or (iii) through force account, in accordance with the provisions of said paragraphs 3.7, 3.8 or 3.15, respectively, of the Guidelines, and in accordance with procedures satisfactory to the Association.

4. Direct Contracting

- (i) Satellite imagery and aerial photography estimated to cost the equivalent of not more than \$100,000,
- (ii) books, periodicals and proprietary computer software estimated to cost the equivalent of not more than \$500,000,
- (iii) elephants and ponies estimated to cost the equivalent of about \$160,000, and
- (iv) livestock including breeding stock, young animals, fertile eggs for hatching, bees and silk worms estimated to cost about \$800,000, may be purchased directly from the suppliers, in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to (i) the first contract awarded through national competitive bidding procedures by each of the Project States, and (ii) each contract for goods or works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II: Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letter of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5) and (6) 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 \$2,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,500,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$500,000 shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to

Section 5.02 of the General Conditions 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.

SCHEDULE 5

Implementation Program

1. To assist in the implementation of Parts E and F of the Project, the Borrower shall cause MOEF to fill, not later than July 31, 1997, all the permanent positions required for the Project, in accordance with staff plan agreed with the Association.

2. The Borrower shall cause MOEF to: i) furnish to the Association, not later than September 30 of each year, starting September 30, 1997, for the Association's comments, a preliminary annual work plan, including updated Project cost tables, training and contracting plans and other matters agreed with the Association; (ii) furnish to the Association not later than January 31, of each year, starting January 31, 1998, the final work plan proposals for the coming fiscal year, taking into account the Association's comments; and (iii) thereafter implement the final work plans.

3. Without limitation to the provisions of Section 9.06 of the General Conditions, the Borrower shall cause MOEF to furnish to the Association by June 30 and December 31 of each year, starting December 31, 1997, semiannual progress reports on Project implementation, in a format agreed with the Association.

4. The Borrower shall cause MOEF, in collaboration with the Project States, to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with

indicators satisfactory to the Association, the carrying out of the Project, and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than March 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 1999, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

5. To ensure that MOEF benefits from the training of recipients of degree fellowship and overseas training under the Project, the Borrower shall cause MOEF to take the necessary action for (i) selecting fellowship and overseas training recipients from staff who would have, at least, five years to retirement, except under circumstances acceptable to the Association, and (ii) placing such fellowship and overseas training recipients in job positions where they could make full use of their training for a minimum of three years following completion of such training.

6. The Borrower shall cause MOEF to select the NGOs participating in the implementation of Parts E and F of the Project in accordance with criteria agreed with the Association.

