

CONFORMED COPY

CREDIT NUMBER 1897 LSO

(Land Management and Conservation Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 26, 1988

CREDIT NUMBER 1897 LSO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 26, 1988, between KINGDOM OF LESOTHO (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 Kingdom of Sweden (Sweden) a grant (the SIDA Grant) in an amount equivalent to one million nine hundred thousand dollars (\$1,900,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the SIDA Grant Agreement) to be entered into between the Borrower and the Kingdom of Sweden; 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) "Special Account" means the account referred to in Section 2.02 of this Agreement;

(b) "MICARD" means the Borrower's Ministry of Interior, Chieftainship Affairs and Rural Development;

(c) "MOA" means the Borrower's Ministry of Agriculture, Cooperatives and Marketing;

(d) "ILUP" means the Institute of Land Use Planning within MOA;

(e) "VDC" means a Village Development Council established under the Development Councils Order No. 9 of 1986;

(f) "WDC" means a Ward Development Council established under the Development Councils Order No. 9 of 1986;

(g) "DDC" means a District Development Council established under the Development Councils Order No. 9 of 1986;

(h) "Development Councils" means VDCs, WDCs, and DDCs;

(i) "RMP" means a Resource Management Plan to be prepared and implemented under the Project;

(j) "DAO" means the District Agricultural Officer;

(k) "RMWG" means the Resource Management Working Group to be established in each District under the leadership of the DAO to provide the technical input for the preparation and supervision of implementation of RMPs; and

(l) "DPO" means the District Planning Officer under MICARD.

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 seven hundred thousand Special Drawing Rights (SDR 11,700,000).

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 a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997, 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 a 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; (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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 March 1 and September 1 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 March 1 and September 1 commencing September 1, 1998 and ending March 1, 2028. Each installment to and including the installment payable on March 1, 2008 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's 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, shall carry out the Project through its MICARD and MOA with due diligence and efficiency and in conformity with appropriate administrative and financial 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. The Borrower shall, by not later than April 1, 1989: (i) introduce Regulations satisfactory to the Association which shall enable the Development Councils to raise and administer development funds; and (ii) clarify and confirm to the Association, the role of Development Councils in controlling access to crop and grazing land in the context of the implementation of RMPs.

Section 3.04. The Borrower shall, commencing in fiscal year 1988/1989, make adequate budget resources available to maintain established and new posts of MOA and MICARD Project staff in the Districts.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 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) The SIDA Grant Agreement shall have failed to become effective by September 30, 1988, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of the SIDA grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, and (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

ARTICLE VI

Effective Date; Termination

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

General Conditions:

(a) the Interministerial Review Committee has been established, and the Project Coordinator designated, in accordance with Paragraph 1 of Schedule 4 to this Agreement; and

(b) the Borrower has appointed the Senior Land Use Planners and District Land Use Planners referred to in paragraph 5 of Schedule 4 to this Agreement, in the two Districts where Project Implementation is to commence.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 395
Maseru 100
Lesotho

Cable address:

FINMIN
Maseru

Telex:

4367

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
64145 (WUI)

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

KINGDOM OF LESOTHO

By /s/ W. T. Van Tonder
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works under Part B of the Project	1,790,000	100%
(2) Vehicles, equipment and spare parts under Parts A and B of the Project	1,020,000	100%
(3) Consultants' services	620,000	100%
(4) Training and studies	580,000	100%
(5) Implementation of RMPs	5,120,000	100%
(6) Operating costs	1,100,000	50%
(7) Unallocated	1,470,000	
TOTAL	<u>11,700,000</u>	

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 "Implementation of RMPs" means expenditures for activities, including civil works, equipment, inputs and livestock in connection with the implementation of RMPs under the Project; and

(d) the term "operating costs" means the costs of salaries and related allowances, maintenance of transport, equipment and housing for incremental MICARD and MOA staff assigned to perform activities under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures

prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to halt land resource degradation and improve land management by developing the capacity of the Borrower to: (i) strengthen local government institutions in general administration and overall development planning; and (ii) assist the Development Councils in the preparation and implementation of RMPs.

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

Part A: Land Policy Implementation

1. Provision of technical assistance to assist in the further development and implementation of the recommendations of the Borrowers' Land Policy Review Commission.
2. Strengthening of the Office of Commissioner of Lands, Surveys and Physical Planning to enable it to carry out land registration under the Land Act of 1979.
3. Provision of vehicles and equipment to undertake the activities in Part A.2 above.

Part B: Institutional Support to MICARD and MOA

1. Strengthening of MICARD to provide planning and administrative support to local government administration at the district level.
2. Strengthening of MOA, including ILUP, to enable it to provide the technical inputs needed for the participatory planning process and in subsequent RMP implementation.
3. Provision of technical assistance, training, equipment and vehicles, and the construction of staff houses and offices, to support the above activities.

Part C: Resource Management Plans

Preparation and implementation of about forty village based community RMPs and about seven mountain Summer Grazing RMPs in seven districts, with the participation of Village, Ward and District Development Councils.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B 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, equipment

and spare parts shall be grouped in bid packages estimated to cost the equivalent of \$100,000, or more each.

Part B: Other Procurement Procedures

1. Contracts for civil works, and for vehicles, equipment and spare parts estimated to cost less than the equivalent of \$100,000 each may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Specialized equipment and spare parts may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Contracts for materials estimated to cost less than the equivalent of \$20,000 per contract up to an aggregate amount not to exceed \$250,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Civil works may be carried out by force account by the Ministry of Works.

Part C: 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 civil works estimated to cost the equivalent of \$250,000 or more and for goods estimated to cost the equivalent of \$100,000 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 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 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% 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 specialists and consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of

Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Project Coordination

1. The Borrower shall establish and maintain an Interministerial Review Committee comprising representatives of MICARD, MOA, the Ministry of Finance and the Ministry of Planning and Economic Affairs. The Project Review Committee shall be chaired by the representative of the Ministry of Planning, Economic and Manpower Development. The Committee shall provide overall policy guidance for all Project activities. The Committee shall by not later than September 30, 1988, prepare criteria for the selection of RMPs and procedures for channelling of funds through the District Secretary. In addition, the Committee shall review all Community and Summer Grazing RMPs approved by DDCs, to determine whether they are consistent with the criteria established, and whether they conform to the National Development Plan and the National Conservation Strategy. Meetings shall be convened as often as required, but, in any case, at least once every quarter, during the first four years after the Effective Date. The Deputy Principal Secretary of MICARD shall be overall Project Coordinator and shall, inter alia, follow up on decisions of the Project Review Committee. At the District level responsibility for Project implementation and coordination shall rest with the District Secretary assisted by the Assistant District Secretary, the DPO and DAO.

2. At the end of the third and sixth years, respectively, after the Effective Date, a review of Project implementation shall be carried out jointly by the Borrower and the Association to, inter alia, decide on remaining implementation schedules and to provide a list of necessary staff for these districts.

Part A of the Project: Land Policy Formulation

3. A Land Policy Adviser shall be employed to assist the Borrower in analyzing the report of the Land Policy Commission and assessing its impact. In addition, he shall assist in drafting any proposed legislation resulting from the work.

Part B of the Project: Institutional Support

4. MICARD

(a) The Borrower shall by September 30, 1988, establish and fill the position of District Planning Officer (DPO) in all participating districts. DPOs shall be trained to enable them to assist in developing capacity in the Development Councils to formulate and implement RMPs which shall make optimum use of local resources. The ultimate goal shall be to enable DDCs to develop District Development Plans, which integrate and coordinate all ongoing and planned activities within the District.

(b) Chiefs and Development Council members shall be trained in the conduct of meetings, simple minute-taking and reporting, basic introduction to the necessity and benefits of planning and maintenance of Council resolutions and accounts. Relevant training programs shall be prepared and initiated by April 1, 1989.

(c) The Borrower shall, by September 30, 1988: (i) establish and fill district accounts clerk positions in all participating districts; and (ii) appoint a senior project accountant in MICARD to supervise them.

5. MOA

The Borrower shall appoint Senior Land Use Planners and fill

all established MOA posts of District Land Use Planners in all districts by the commencement date of Project implementation in each respective district. At Headquarters the following ILUP staff shall assist in the preparation of RMPs:

- the Chief Land Use Planner;
- one Deputy Chief Land Use Planner;
- two Senior Land Use Planners; and
- one Cartographer.

The Borrower shall appoint three Land Use Planning Specialists all with primary experience in Land Use Planning.

6. Training

The ILUP staff mentioned in paragraph 5 above and the Resource Management Specialists shall provide training to the RMWGs in order to build a multidisciplinary team capability as rapidly as possible. In addition, they shall conduct seminars jointly with the specialist employed to train DPOs in MICARD and to introduce district level MICARD staff to community planning objectives and techniques. A specialist shall be employed to carry out the training of DPOs, starting during the first year of Project Implementation with the training of two DPOs for the districts where plan implementation shall commence. In addition to training DPOs in accordance with a training program prepared by the Borrower, the Specialist shall train his successor, supervise training DPOs and participate in training of RMWGs. Relevant training programs shall be prepared and initiated by April 1, 1989.

7. Studies

During Project Implementation the following studies shall be undertaken:

- Grazing Management and Related Institutions - to provide additional information about summer grazing management, patterns of transhumance, ownership of cattle posts and the role of the chiefs in regard to summer grazing.
- Erosion Status - to establish the baseline status of erosion in the country and provide the basis for prioritizing conservation activities. This survey shall be undertaken by the Geography Department of the National University of Lesotho.
- Resource Monitoring - to establish guidelines for monitoring the extent and effectiveness with which planned conservation measures are implemented for each RMP.
- Communications - to develop the skills required to communicate with and motivate communities in the preparation and implementation of RMPs.

Part C of the Project: Resource Management

8. Preparation and implementation of RMPs shall be based on the active assistance and participation of VDCs, Principal Chiefs, livestock owners and residents of selected villages. Community RMPs, which include winter grazing, shall comprise a cluster of about four contiguous villages sharing common boundaries and grazing resources. Summer Grazing RMPs, which relate to the higher mountain rangeland areas under the customary control of the Principal Chiefs, shall be prepared for groups of about four contiguous summer grazing posts.

9. Activities shall commence initially in two districts. The

initial districts are Mokhotlong and Qacha's Nek. The ranking of additional districts shall be decided during implementation using the following criteria:

- Representativeness - districts should contain representative areas of all agroecological zones, to ensure that initial planning and management approaches are replicable.
- Other Projects - districts which are already committed to effective resource management under other projects may be excluded initially.
- Institutional Capacity - there should be adequate capacity at the district level to support preparation and implementation of RMPs.

10. The selection of contact villages for inclusion in the planning program shall be decided at the district level by the District Secretary in consultation with the DAO using the following criteria:

- Interest of local community - assessment of local communities' records in participation in self-help and other development projects and their willingness to join in association with neighboring villages.
- Land Pressure - using densities of human and livestock population and taking into account the extent and quality of arable and grazing resources.
- Land degradation - with relation to both land pressures and susceptibility to erosion, to be assessed independently on the basis of the extent of erosion, status of conservation measures and status of the rangeland.
- Infrastructure - assessment of current access road, water supply, etc. giving higher priority to villages with least infrastructure.

11. An awareness campaign shall be conducted through local government contacts and the RMWG to inform local people about the potential of participatory planning, making clear the types of development options to be considered and the kinds of inputs to be contributed by local people. Particular attention shall be given to the willingness of the local communities to participate in the planning process and subsequent plan implementation. Planning shall commence when the community has agreed to all these matters in principle.

12. Data Collection

When several clusters of villages have been selected for planning, planning activities shall be drawn up by the District Secretary, in liaison with the DAO. MOA shall provide the technical inputs for plan preparation through the RMWG, which shall consist of subject-matter specialists in the following fields - Land Use Planning, Conservation, Forestry Range Management, Crop and Livestock Production - and the DPO. With the assistance of locally based government staff, the Rural Development Assistant and the Extension/Livestock Assistant, a rapid survey of the area shall be conducted to determine the natural and human resources, land use systems and livestock population. In addition, the village chief and VDC members shall be asked to facilitate the inventory and provide general information on land use systems and constraints.

13. Plan Preparation and Approval

The RMWG in each district shall investigate ways to address the problems and allocate priorities. The RMWG shall prepare an integrated package of measures directly related to land use, land

resource conservation and improved crop and livestock productivity, including, inter alia, measures in the fields of crop and animal husbandry, range management, water supply, agroforestry and access roads. This shall form the basis of the Community RMP for the area. The development options shall be identified and discussed with the District Secretary's Office, local chiefs and communities at an early stage to discover which options they prefer, taking into account motivation and capacity for implementation. The RMWG shall then as a result of the investigations and deliberations prepare a community RMP including the following features:

- delineation of village and natural boundaries;
- principles by which the VDC shall manage the resources within the area;
- components for implementation;
- rules and regulations governing the use of land by community members and the need for raising various fees for village development purposes;
- preparation of a phased and costed plan of action; and
- identification of local contribution.

The criteria to be used in selecting RMPs shall include, inter alia, the following:

- technical soundness of the RMP;
- cost effectiveness;
- participation of the community;
- consistency with cluster villages; and
- consistency with the district and national development plans.

The Project shall only finance those activities which are directly related to land resource management and improved land productivity and which are considered to be beyond the financial capacity of rural residents. Such activities shall, inter alia, involve:

- Fodder supply/rangeland: closure of rangeland with limited fencing, provision of ox carts, rangeland improvement through seeding and vegetative propagation of fodder species;
- Cropland: limited fencing to exclude livestock, fencing and water supply for communal gardens, certain agricultural inputs such as seeds and simple equipment to improve production practices.
- Agroforestry: establishment of tree nurseries to serve a group of villages and the planting of trees.
- Conservation: off-farm soil conservation inputs and tree planting activities of multi-purpose species and nurseries.
- Infrastructure: improved water supply, access roads, meeting halls, local marketing infrastructure and demarcation of village boundaries.

14. When the Community RMP has been approved by the VDC, it shall be forwarded to the WDC, DDC and the District Secretary for evaluation and approval of plan content and funding. The District Secretary shall then forward RMPs to the Review Committee which

shall scrutinize the plan for consistency with the agreed criteria for selection and plan content, and conformity with national plans and the national conservation strategy. Once the RMP has been approved by the Review Committee, copies shall be given to the VDC and to the government departments whose assistance shall be required during implementation.

15. Funding and Implementation

Funds shall be channelled through MICARD to the District Secretary for disbursement against items of expenditure, in plans that have been approved by both the DDC and the Review Committee. The planning and implementation of each RMP shall require a period of about four years.

16. Summer Grazing

The measures proposed for summer grazing are technically simple, requiring the closure of poor quality rangeland for recuperation and subsequent grazing under controlled management. MOA staff shall make initial visits to all 22 Principal Chiefs to discuss their views concerning land resources management generally and to investigate topics in respect of summer grazing. Thereafter, the staff shall prepare an outline inventory of summer grazing post resources and utilization and the selection of summer grazing areas for further investigation and planning. The selection shall be based on the interest of the Principal Chief and herdsmen in implementing grazing management, the type and quality of grazing areas and access arrangements. A summer grazing RMP shall be prepared and discussed with the Principal Chief, herdsmen and animal owners. Particular attention will be focused on the scope for reallocating summer grazing posts for the exclusive use of herds from a single village. During these discussions, areas to be set aside as closures shall be agreed, and the methods and responsibilities for their policing carefully defined. In addition, systems regulating access to improved pastures following closure shall be agreed upon.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 SDR 370,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Association has received 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of

the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 into the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the

Credit Account.

