

CONFORMED COPY

CREDIT NUMBER 1957 SO

Development Credit Agreement

(Central Rangelands Research and Development  
Project-Phase II)

between

SOMALI DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 9, 1989

CREDIT NUMBER 1957 SO

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 9, 1989, between SOMALI DEMOCRATIC REPUBLIC (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 contract from the African Development Fund (AFDF) a loan (the AFDF Loan) in an amount equivalent to ten million five hundred thousand Dollars (\$10,500,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the AFDF Loan Agreement) between the Borrower and AFDF;

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 (b) of this Agreement;

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated December 24, 1987, and February 12, 1988, between the Borrower and the Association;

(c) "CRDP" means the Central Rangelands Development Project, an entity within the Ministry of Livestock, Forestry and Range established to manage and implement the Project;

(d) "GTZ" means the Deutsche Gesellschaft fur Technische Zusammenarbeit;

(e) "MLFR" means the Borrower's Ministry of Livestock, Forestry and Range;

(f) "NRA" means the National Range Agency of the Borrower established by Law Number 23 of 1976 of the Borrower and operating under Law Number 15 of 1969 and Law Number 68 of 1970 as such Laws may be amended from time to time;

(g) "Project Area" means the three regions of Central Somalia: Hiran, Galgudud and Mudug;

(h) "USAID" means the United States Agency for International Development; and

(i) "WFP" means the World Food Program of the United Nations.

## 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 fourteen million seven hundred thousand Special Drawing Rights (SDR 14,700,000).

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.

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Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon.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

Section 2.03. The Closing Date shall be June 30, 1995, 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; 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 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 June 1, 1988.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restriction 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. Service charges shall be payable semi-annually on April 15 and October 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 April 15 and October 15 commencing April 15, 1999, and ending October 15, 2028. Each installment to and including the installment payable on October 15, 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 CRDP with due diligence and efficiency and in conformity with appropriate agricultural and range management 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. Not later than June 30, 1989 the Borrower shall retain for CRDP the following personnel whose qualifications, experience and terms and conditions of employment shall be acceptable to the Association:

- (a) a General Manager;
- (b) a Technical Manager;
- (c) a Field Manager; and
- (d) a Financial Controller.

Section 3.04. The Borrower shall, not later than December 31, 1989, establish a Range and Livestock Association Development Fund which shall be used for making: (a) grants for community development and infrastructure improvement including schools, buildings, pumps, wells, and markets; and (b) loans for small productive enterprises in the Project Area.

Section 3.05. (a) Without limitation to the generality of the provisions of Section 3.01 (a) with regard to the provision of funds, the Borrower shall:

- (i) open, and thereafter maintain, in the Borrower's currency and in the name of the Central Rangelands Development Project of the Ministry of Livestock, Forestry and Range, an account in the Central Bank of Somalia on terms and conditions satisfactory to the Association;
- (ii) deposit into such project account an initial amount of Somali Shillings 50,000,000; and
- (iii) thereafter deposit into such project account, not later than June 30 and December 31 of each year during Project implementation, a sum necessary to replenish such project account up to the original amount of Somali Shillings 50,000,000.

(b) Amounts deposited into the project account pursuant to paragraphs (ii) and (iii) above shall be used only to make payments to most local expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not eligible for financing under the Credit.

## 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 six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested;
- (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; and
- (iv) furnish to the Association, not later than June 30, 1989, the CRDP audit reports for the years 1986 and 1987.

(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. (a) Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified subject to subparagraph (b) of this paragraph:

- (i) the right of the Borrower to withdraw the proceeds of the AFDF Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
- (ii) the AFDF Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified; namely that the event specified in Section 5.01 of this Agreement shall occur.

#### 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 Borrower has hired an auditing firm, satisfactory to the Association, to undertake overdue Project audits; and

(b) all conditions precedent to the effectiveness of the AFDF Loan, other than the effectiveness of this Agreement, have been fulfilled.

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

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

For the Borrower:

Ministry of Finance and Treasury  
Mogadishu  
Somali Democratic Republic

Cable address:

MINFIN  
Mogadishu

Telex:

3612 MINFIN-MOGSOM

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.

SOMALI DEMOCRATIC REPUBLIC

By /s/ A. A. Addou

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:

Amount of the Credit Allocated (Expressed in CategorySDR Equivalent)	% of Expenditures to be Financed	
(1) Vehicles and equipment	4,940,000	100% of foreign expenditures and 85% of local expenditures
(2) Consultants' services, studies and training abroad	5,940,000	100%
(3) Allowances and per diems	770,000	43% of local expenditures paid through June 30, 1992; 38% of local expendi- tures paid from July 1, 1992, through June 30, 1993; 33% of local expenditures paid from July 1, 1993, through June 30, 1994; and 23% of local expen- ditures paid there- after
(4) Fuel and lubricants	620,000	100% of foreign expenditures and 95% of local expenditures
(5) Refunding of Project Prepara- tion Advance	1,020,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,410,000	
TOTAL	14,700,000	

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; and

(b) the term "local expenditures" means expenditures in the currency

of the Borrower or for goods or services supplied from the territory of the Borrower.

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: (i) maintain and improve the long-term productivity of the Central Rangelands; (ii) minimize degradation of vegetation; (iii) increase understanding of rangelands production systems; and (iv) improve the living standards of pastoralists.

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: Systems Investigation and Monitoring

1. Carrying out investigations and other studies on rangelands production systems.
2. Carrying out pre-development surveys of the districts in the Project Area.
3. Monitoring trends in livestock numbers, rainfall, vegetation status, population, health and other social, economic and ecological factors.
4. Monitoring the effects of the Project on reserves, water points, animal health and other social, economic and ecological factors.
5. Strengthening and improving the Project documentation center and the herbarium in Mogadishu.

#### Part B: Extension

Development of extension services to: (a) disseminate information and technology appropriate for the attainment of Project objectives; (b) organize Range and Livestock Associations to manage reserves, dug-outs and other interventions under the Project; and (c) manage a Range and Livestock Development Fund to support small village-level development initiatives.

#### Part C: Agropastoral Adaptive Trials and Forestry

1. Carrying out an adaptive trials program to develop arid land agriculture and water harvesting techniques to improve productivity and reduce environmental degradation.
2. Carrying out a seed multiplication program;
3. Carrying out forestry related activities including seedling production and dissemination.

#### Part D: Animal Health and Livestock Production

Improvement of livestock productivity through: (a) provision of basic animal health services and advice on husbandry at the village level; (b) establishment and operation of a fund for the importation and resale of veterinary drugs; and (c) investigation and survey of livestock production.

#### Part E: Water and Infrastructure Development

1. Construction and rehabilitation of water-related infrastructure, including dug-outs, boreholes and wells.
2. Construction of airstrips at district headquarters in the Project Area and maintenance of roads and tracks.

#### Part F: Conservation



1. Protection and management of rare wildlife and flora through the establishment and guarding of four flora and fauna conservation reserves at Bud-Bud, Harardhere, Maxaas and Deriyow in the Project Area.

2. Protection and management of rare wildlife and flora such as the Somali wild ass, the Beira antelope and Pelzeln's gazelle, located in the Sol and Sanaag Regions, including the Dalo Forest Reserve and other habitats to be defined in the course of Project Implementation.

Part G: Training

1. Provision of local and overseas training to CRDP staff and to pastoralists,

2. Support to the Department of Botany and Range at the National University of Somalia.

3. Support for the publication of research journals and papers on rangelands management.

4. Rehabilitation or construction of a training center in Bulo Burti District.

Part H: Project Management

1. Strengthening of CRDP Project management through: (a) provision of technical assistance, operating costs, salaries and allowances; (b) construction of three district level compounds and CRDP staff housing facilities in Mogadishu; and (c) consolidation and improvement of existing district level compound facilities.

2. Strengthening and improving of the Project mechanical workshop in Mogadishu.

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The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B 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 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$150,000 or more each.

Part B: Other Procurement Procedures

1. Items or groups of items costing less than the equivalent of \$150,000 per contract up to an aggregate amount not to exceed the equivalent of \$700,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000 may be procured under quotation solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. (a) With respect to all contracts for goods estimated to cost not less

than the equivalent of \$20,000 each the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts 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 I to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower 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.

### SCHEDULE 4

#### Implementation Program

##### Project Coordination

1. CRDP shall be responsible for the overall implementation of the Project and shall coordinate Project activities with other departments or agencies.

##### Project Steering Committee

2. (a) The Borrower shall continue to maintain the Project Steering Committee, established under the Central Rangelands Development Project (Phase I) financed by the Association, whose chairman shall be the Minister of Livestock, Forestry and Range and whose other members shall include the Project General Manager, representatives for the Association, the African Development Fund, GTZ, WFP and USAID, representatives from the Ministry of Finance and Treasury, the Ministry of National Planning and Juba Valley Development and representatives from other departments or agencies as may be deemed necessary.

(b) The Project Steering Committee shall meet at least once every six months and shall be responsible for reviewing and approving Project implementation policies, work plans and budgets.

##### Annual Work Plans

3. CRDP shall continue to maintain the Planning Department established under the Central Rangelands Development Project (Phase I) financed by the Association. The Planning Department shall be responsible for preparing annual work plans under terms of reference acceptable to the Association.

4. The Finance and Administration Department of CRDP shall prepare every quarter: (a) the Somali Shilling budget for operating costs on a department basis for distribution to departmental managers with a breakdown of funds available, and funds expended as the fiscal year progresses; and (b) a

Project fuel budget and advice to departmental managers of fuel available and fuel consumed as the fiscal year progresses.

5. The Borrower shall take appropriate measures to ensure that drafts of the annual work plan, the global budget and the local Somali shilling budget are submitted to the Association for review and comment not later than November 30 of each year.

6. CRDP shall prepare and submit to the Association by July 31 of each year semi annual progress reports and by January 31 of each year annual progress reports.

#### Mid-Term Review

7. The Borrower shall, not later than March 31, 1992, furnish to the Association a mid-term review report, assessing the progress and impact of the Project after the first three years of implementation. Such a report will identify major problems and constraints and make recommendations for modifications in the organization and design of the Project.

#### Project Management Committee

8. (a) Not later than June 30, 1989, CRDP shall establish a Project Management Committee to be headed by the Project General Manager, and whose other members shall include all the CRDP Department Directors, the Technical Manager and the Financial Controller.

(b) The Project Management Committee shall be responsible for, inter alia, the following: (i) approving the assignment of staff to training courses; (ii) approving proposals submitted under the Range and Livestock Association Development Fund; (iii) reviewing annual work programs and budgets; (iv) approving district management plans; and (v) approving agropastoral and other technologies for dissemination through the extension services.

(c) The Project Management Committee shall submit to the Association all the minutes of its meetings.

#### Part A of the Project

9. Implementation of Part A of the Project shall be the responsibility of the Systems Investigation and Monitoring Department of CRDP.

10. CRDP shall take appropriate measures to ensure that no boreholes or dug-outs are constructed in the Project Area without the prior approval of the Project Management Committee.

#### Part B of the Project

11. Implementation of Part B of the Project shall be the responsibility of the Extension Department of CRDP.

12. The Borrower shall, in consultation with the Association, make all efforts to include an adequate number of qualified female extension agents in the Project.

#### Part C of the Project

13. Implementation of Part C of the Project shall be the responsibility of the Agropastoral Department of CRDP.

14. The Agropastoral Department shall design annual agropastoral trial programs and submit them for information to the Ministry of Agriculture.

#### Part D of the Project

15. CRDP shall be responsible for implementation of Part D of the Project with the assistance of the veterinary team from GTZ.

16. CRDP shall establish a veterinary drug revolving fund to be managed by its Financial Department. This fund shall be replenished in local currency from the sales of veterinary drugs and medicines to the Range and

Livestock Associations. CRDP shall take appropriate measures to ensure that drugs and medicines purchased with the proceeds of the veterinary drug revolving fund, are sold: (a) at wholesale market prices; and (b) only within the Project Area.

17. Not later than June 30, 1989, the Financial Department of CRDP shall submit to the Association a regulation for the administration of the veterinary drug revolving fund, which shall be satisfactory to the Association.

#### Part E of the Project

18. Implementation of Part E of the Project shall be the responsibility of the Water and Infrastructure Department of CRDP.

19. The Borrower shall assess charges for the use of water from dugouts and boreholes constructed under the Project which shall be adequate to cover operation and maintenance costs.

#### Part F of the Project

20. CRDP shall establish a Conservation Department which shall be responsible, with the MLFR Wildlife Department, for implementation of Part F of the Project.

21. CRDP shall take appropriate measures to ensure that the flora and fauna conservation reserves, to be established under Part F of the Project, does not infringe on pastoralist grazing and watering rights.

#### Part G of the Project

22. The Borrower shall, not later than June 30, 1989, submit to the Association a proposal for a Project training facility in the Bulu Burti District, satisfactory to the Association.

23. In implementing Part G of the Project, the Borrower shall ensure that: (a) only CRDP personnel with more than one year's experience in the Project shall be eligible for training; and (b) a written commitment is received from such personnel and CRDP that such personnel would return to work in CRDP on completion of the training course.

#### Part H of the Project

24. The Borrower shall take appropriate measures to ensure that adequate fuel is available for Project implementation at all times, and if necessary, shall permit CRDP to directly import such fuel.

25. Not later than June 30 of each year CRDP shall submit to the Association a report to verify the use of sound management practices in vehicle maintenance and operation for the preceding year. The Association's approval of vehicle and equipment purchases shall be contingent on use of sound management practices in vehicle maintenance and operation.

26. The Borrower shall, not later than December 31, 1989, implement an allowance and per them structure for CRDP staff acceptable to the Association and shall adjust such structure annually to maintain purchasing power as of March 1988.

27. Except as the Association shall otherwise agree, the Borrower shall ensure that the number of personnel employed by the Project, shall not exceed a level satisfactory to the Association.

#### Range and Livestock Association Development Fund

28. CRDP shall follow the following guidelines in making available grants and loans under Section 3.04 of this Agreement: (a) not more than three sub-projects shall be approved for any single Range and Livestock Association; (b) sub-projects shall have a contribution in labor or materials of at least 25% of their cost; (c) the CRDP cash contribution for any particular subproject shall be not more than the equivalent of \$2,500; and (d) in the case of support to productive enterprises the funds shall be lent: (i) at an interest rate based on the prevailing rate charged by local

banks; and (ii) with repayment terms not to exceed five years.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 \$500,000 to be withdrawn from the Credit Account and deposited into 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 into the Special Account such amount or amounts as the Borrower shall have requested,

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been 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 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 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; and (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.

