

CONFORMED COPY

CREDIT NUMBER 1976 GH

(Forest Resource Management Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 16, 1989

CREDIT NUMBER 1976 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 16, 1989, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated December 5, 1988, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's forestry sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution;

(B) 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;

(C) the Borrower intends to contract from the Overseas Development Administration of the United Kingdom (ODA) a grant (the ODA Grant) in an amount of three million seven hundred thousand pounds sterling ( 3,700,000) to assist in financing the Project on the terms and conditions set forth in a memorandum of understanding (the ODA Memorandum of Understanding) to be entered into between the Borrower and ODA;

(D) the Danish International Development Agency (DANIDA) wishes to make available to the Borrower a grant (the DANIDA Grant) in an amount equivalent to eight million three hundred thousand dollars (\$8,300,000) to assist in financing the Project and has requested the Association to administer the DANIDA Grant on the terms and conditions set forth in an agreement (the DANIDA Grant Agreement) to be entered into between the Borrower and the Association; 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) "AFU" means the Agroforestry Unit within MOA;
- (b) "Cedis" means the currency of the Borrower;
- (c) "FD" means the Forestry Department within MLNR;
- (d) "FPIB" means the Forest Products Inspection Bureau;
- (e) "FPRI" means the Forest Products Research Institute;
- (f) "FY" and "Fiscal Year" mean the period from January 1 to December 31 of each year;
- (g) "GWD" means the Game and Wildlife Department within MLNR;
- (h) "IRNR" means the Institute for Renewable Natural Resources;
- (i) "MLNR" means the Borrower's Ministry of Lands and Natural Resources;
- (j) "MOA" means the Borrower's Ministry of Agriculture;
- (k) "PNDC" means the Provisional National Defence Council;
- (l) "Project Executing Agencies" means the ministries, departments and institutions responsible for carrying out parts of the Project;
- (m) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters, dated December 24, 1987, January 12, 1988, June 29, 1988, and August 2, 1988, between the

Borrower and the Association;

(n) "SFS" means the School of Forestry at Sunyani;

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

(p) "TEDB" means the Timber Export Development Board.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty million six hundred thousand Special Drawing Rights (SDR 30,600,000).

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 open and maintain in dollars in a commercial bank on terms and conditions satisfactory to the Association: (i) a special account (Special Account MLNR) for the purposes of Parts A, B.1 through B.4 and C of the Project; (ii) a special account (Special Account AFU) for the purposes of Part B.5 of the Project; (iii) a special account (Special Account IRNR) for the purposes of Part D of the Project; and (iv) a special account (Special Account FPRI) for the purposes of Part E of the Project. Deposits into, and payments out of, the Special Accounts 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 Advances 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 Advances 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 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing February 15, 1999, and ending August 15, 2028. Each installment to and including the installment payable on August 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 the Project Executing Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, environmental and forestry 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 5 to this Agreement.

Section 3.02. Without any limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in a commercial bank accounts in the name of FD, GWD, AFU, IRNR and FPRI on terms and conditions satisfactory to the Association to be used exclusively for the purpose of meeting expenditures under the parts of the Project for which these agencies are responsible and which are not financed out of the proceeds of the Credit; and

(b) in addition to the initial amounts referred to in Section 6.01 (b) of this Agreement, deposit in said accounts promptly before each month starting October 1, 1989, the Borrower's contribution towards expenditures under the respective Parts of the Project as set forth in FD's, GWD's, AFU's, IRNR's and FPRI's approved annual budget for the following month.

Section 3.03. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association, for its review and comment, a report on the progress achieved in carrying out the Program in such detail as the Association shall reasonably request.

Section 3.04. 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.

#### ARTICLE IV

##### Financial and Other 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 of the Project Executing Agencies in respect 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 and the accounts referred to in Section 3.02 of this Agreement for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account 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.

Section 4.02. Until an action plan has been prepared in accordance with paragraph 4 of Schedule 4 to this Agreement, the Borrower shall not ban log exports of any species in addition to those species whose export was prohibited on October 1, 1988.

#### 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) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any 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.

(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 Borrower has established the Policy Formulation, Planning, Monitoring and Evaluation Unit referred to in Part C.2 of the Project;

(b) the Borrower has made available, or caused to be made available, initial amounts in Cedis equivalent to \$260,000 for FD,

\$32,500 for GWD, \$74,600 for AFU, \$60,000 for IRNR and \$62,500 for FPRI for deposit in the accounts referred to in Section 3.02 (a) of this Agreement;

(c) the Borrower has appointed the head of the concessions unit referred to in paragraph 6 of Schedule 5 to this Agreement;

(d) the Borrower has employed the forest management and logging specialist, the rural forestry/agroforestry specialist, the extension training specialist and the sector planner in accordance with the provisions set forth in Section II of Schedule 3 to this Agreement;

(e) the DANIDA Grant Agreement and the ODA Memorandum of Understanding have been signed by the parties thereto;

(f) the Borrower has introduced a special allowance system for FD and GWD field staff acceptable to the Association;

(g) the Borrower has set the level of royalty fees on timber for FY 1989 at 6% of the FOB weighted average value;

(h) the Borrower has announced timber concession allocation procedures acceptable to the Association; and

(i) the Borrower has seconded a forest officer and two forestry technicians from the Forestry Department to the Agro-Forestry Unit within MOA.

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 PNDC Secretary for Finance and Economic Planning 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:

PNDC Secretary for Finance  
and Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box M40  
Accra, Ghana

Cable address:

ECONOMICON  
Accra

Telex:

2205 MIFAEP GH

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.

REPUBLIC OF GHANA

By /s/ Eric Otoo  
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
Parts A, B.1 through 4 and C of the Project		
(1) Civil works	2,100,000	100% of foreign expenditures and 65% of local expenditures
(2) Equipment, materials and vehicles	1,790,000	100% of foreign expenditures and 70% of local expenditures
(3) Consultants' services, train- ing and fellow- ships	4,190,000	100%
(4) Operating costs	2,170,000	80% in FYs 1989 and 1990, 75% in FY 1991, 65% in FY 1992, 40% in FY 1993 and 25% in FY 1994

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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Part B.5 of the Project

(5) Civil works	100,000	100% of foreign expenditures and 65% of local expenditures
(6) Equipment, materials and vehicles	310,000	100% of foreign expenditures and 70% of local expenditures
(7) Consultants' services, training and fellowships	390,000	100%
(8) Operating costs	550,000	80% in FYs 1989 and 1990, 75% in FY 1991, 65% in FY 1992, 40% in FY 1993 and 25% in FY 1994

Part D of the Project

(9) Civil works	550,000	100% of foreign expenditures and 65% of local expenditures
(10) Equipment, materials and vehicles	240,000	100% of foreign expenditures and 70% of local expenditures
(11) Consultants' services, training and fellowships	700,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(12) Operating costs	470,000	80% in FYs 1989 and 1990, 75% in FY 1991, 65% in FY 1992, 40% in FY 1993 and 25% in FY 1994

Part E of the Project:

(13) Civil works	860,000	100% of foreign expenditures and 65% of local expenditures
(14) Equipment, materials and vehicles	930,000	100% of foreign expenditures and 70% of local expenditures
(15) Consultants' services, training and fellowships	390,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
ships		
(16) Operating costs	930,000	80% in FYs 1989 and 1990, 75% in FY 1991, 65% in FY 1992, 40% in FY 1993 and 25% in FY 1994
Part F of the Project		
(17) Imports under Part F of the Project	11,630,000	100% of foreign expenditures
(18) Refunding of Project Preparation Advances	550,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(19) Unallocated	1,750,000	
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TOTAL	30,600,000	

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 "operating costs" means the costs normally referred to as recurrent expenditures, excluding salaries and allowances for Project staff, but including:

- (i) cost of operating and maintaining vehicles, equipment, buildings and houses required for the Project;
- (ii) office running expenses, cost of stationary and supplies, library acquisition and training materials;
- (iii) cost of maintaining the seed gardens and the irrigation system; and
- (iv) such other Project related costs as the Borrower and the Association may from time to time determine.

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.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit allocated to Category (17) in the table set forth in paragraph 1 of this Schedule after the aggregate of the proceeds

of the Credit withdrawn from that Category and the total amount of such commitments shall have reached the equivalent of SDR 5,900,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.03 of this Agreement based on evidence satisfactory to the Association: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in Schedule 4 to this Agreement have been taken and are satisfactory to the Association.

5. If, after the exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit allocated to Category (17) of the table set forth in paragraph 1 of this Schedule or any part thereof.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to introduce policy reforms in the forestry sector designed to promote conservation and to increase revenue generation; (ii) to improve the management of the forest resources; and (iii) to strengthen the Borrower's forestry sector institutions.

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: Forest Management

1. Strengthening of the Planning Branch of the Forestry Department's capacity to prepare working plans and timber cutting schedules, through the acquisition of camping and field equipment and vehicles.
2. Preparation of a forest inventory of the reserves in the tropical high forest zone, acquisition of vehicles, lorries, camping facilities and field and office equipment for the inventory teams and provision of satellite imagery and aerial photography of the reserves.
3. Initial preparation of a forest inventory of the high forest areas outside the reserves, acquisition of vehicles, lorries, camping, field and office equipment for the inventory teams, and provision of satellite imagery and aerial photography.
4. Preparation of a survey and rehabilitation of existing plantations, and acquisition of camping equipment and transportation facilities for the survey and inventory teams.
5. Strengthening of the forest management services at the regional level in the high forest zone through the construction of office buildings and staff houses and the acquisition of vehicles, communications, office, field and carrying equipment, tools and uniforms.

#### Part B: Rural Forestry

1. Establishment and operation of a Rural Forestry Division in the Forestry Department, including development of agro-forestry packages and establishment of demonstration areas for different tree planting patterns in community forests.
2. Improvement of the Forestry Department's seedling production capabilities through upgrading of existing nurseries, construction of new nurseries and production and distribution of not less than

seven million seedlings before the completion of the Project.

3. Studies of land and tree tenure laws and customs.
4. Rehabilitation of the Savanna forest reserves in densely populated areas.
5. Intensification of forestry extension to individual farmers, including development of agro-forestry packages and establishment of demonstration areas for food tree planting patterns, through the strengthening of MOA's extension service and support to non-governmental organizations.

Part C: Forestry Sector Institutions

1. Reorganization and strengthening of the Forestry Department through acquisition of vehicles and equipment, construction of office buildings and provision of training and staff development.
2. Establishment and operation of a Policy Formulation, Planning, Monitoring and Evaluation Unit in MLNR, including acquisition of vehicles and provision of training.
3. Improvement of MLNR's ability to handle environmental issues in the forestry sector through development of environmental research and provision of training.
4. Improvement of the management capabilities of FPIB and TEDB.
5. Strengthening of the Game and Wildlife Department through construction of laboratory field stations, office accommodations, living quarters, research facilities and game protection camps, acquisition of vehicles, laboratory, communications, camp, field and office equipment and furniture, and provision of training and staff development.

Part D: Education and Training

Strengthening of the education and training capabilities of IRNR and SFS through the construction of new buildings, acquisition of camp and field equipment and provision of training.

Part E: Research

Strengthening of the research capabilities of FPRI through construction of new facilities, acquisition of vehicles and equipment and provision of training.

Part F: General Imports

Importation of equipment, vehicles, materials and spare parts for the forestry sector.

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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 and Works

Part A: International Competitive Bidding

1. Except as provided in Part D 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. (a) Bidders for the works included in the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Ghana may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Goods under Part F of the Project estimated to cost less than the equivalent of \$2,000,000 per contract may be procured under contracts awarded: (a) 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, if procured by the Borrower, its political subdivisions or state-owned enterprises; and (b) on the basis of the normal procurement procedures of the purchaser of such goods if procured by private entities.

2. Items or groups of items (other than those under Part F of the Project) estimated to cost between the equivalents of \$60,000 and \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,800,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or groups of items (other than those under Part F of the Project) estimated to cost less than equivalent of \$60,000 per contract, up to an aggregate amount not to exceed the equivalent of \$4,100,000, 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 two different countries eligible under the Guidelines, in accordance with the procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 (a) hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. 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 \$200,000 or more and with respect to each contract 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 contracts are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of each 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 Accounts in respect of such contracts.

(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 Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

3. The figure of 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 foresters, planners, biologists, wildlife specialists, environmental experts and other 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

##### Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

1. The royalty fees on timber have been increased to a level of 12% of the FOB weighted average value less the costs of logging and transportation.
2. The weight of the concession rent offered by each applicant has been established at 50% within the overall evaluation of applications for timber concessions and a timetable for a further increase to 60% has been submitted to the Association.
3. An action plan for improvements in the FD and GWD staff incentive system and the recruitment of professional and technical staff has been submitted to the Association.
4. (a) A study of wood cutting practices, log export bans and log export tariffs, and their impact on the Borrower's environment and wood processing industry has been completed and discussed between the Borrower and the Association; and  
(b) an action plan has been prepared by the Borrower on the basis of said study's recommendations, agreed upon between the Borrower and the Association.

#### SCHEDULE 5

##### Implementation Program

Project Coordination and Monitoring

1. The overall responsibility for coordinating all Project activities rests with the Chief Director (Technical) of MLNR. He shall be the chairman of the Project Implementation Committee (PIC) which shall also include the heads of the Project Executing Agencies and meet at least once every quarter. PIC's function shall be to ensure the inter-agency coordination and to periodically assess the progress in carrying out the Project. In order to evaluate the overall progress of the Project and to ensure adjustments to the prevailing conditions and policies, a mid-term review shall be carried out not later than December 31, 1991, by the Borrower and the Association.

2. The Policy Formulation, Planning, Monitoring and Evaluation Unit shall be established within MLNR pursuant to Section 6.01 (a) of this Agreement and shall be headed by the Chief Director (Technical).

3. Within this framework, the different parts of the Project shall be implemented by the various Project Executing Agencies as described below. Each of them shall submit to the Association, not later than September 1 of each year for the Association's review, its respective annual budget and annual work plan for the different components in such detail and format as agreed upon by the Association, including progress reports on, and projections for, staff recruitment and incentives schemes.

4. To facilitate the carrying out of the Project by the various Project Executing Agencies, the Borrower shall ensure that the Project Executing Agencies are empowered:

(a) to recruit skilled staff up to their respective establishment;

(b) to procure the number of vehicles for the Project as stated in the approved annual work plans; and

(c) to limit the use of the vehicles financed out of the proceeds of the Credit to Project related functions.

#### Part A of the Project

5. The Forestry Department of MLNR shall be responsible for the implementation of Part A of the Project.

6. The Forestry Department's responsibility for overall forest management shall include responsibility for the collection of royalty fees and the control of all concessions including, as of October 1, 1990, those allocated outside the forest reserves. To this end, a concession unit within the Forestry Department shall exercise the management and administration of all concessions to be granted by the Borrower in accordance with concession allocation procedures satisfactory to the Association.

7. The Borrower shall:

(a) authorize the Forestry Department to restrict the annual timber cut to the level of 1.1 million m<sup>3</sup> by June 30, 1993, or such other level that would result from the high forest inventory exercise; and

(b) increase the weighted average of the royalty fees to at least 18% of the FOB weighted average value of exportable logs (less cost of transportation and logging) by January 31, 1992; the royalty fees shall be reviewed by September 30 of each year and, if the review warrants it, be adjusted to reflect changes in the FOB value, exchange rates and local costs.

8. The Borrower shall permit the Forestry Department to deposit the collected forestry fees in the Forestry Fund which shall be used by the Forestry Department to finance its recurrent and capital costs as stated in its approved annual budget.

Part B of the Project

9. Parts B.1 through B.4 of the Project shall be carried out by the Forestry Department.

10. In order to strengthen the Forestry Department's involvement in community forestry activities, a Rural Forestry Division shall be established not later than June 30, 1989. This division shall support and coordinate all rural forestry activities in the regions.

11. Part B.5 of the Project shall be carried out by the Agro-Forestry Unit established within the Crop Services Department of MOA.

Part C of the Project

12. Part C.1 of the Project shall be carried out by the Forestry Department. To this end, the Forestry Department shall be reorganized in a manner satisfactory to the Association; such reorganization shall include the establishment of a Planning and Monitoring Unit under the Chief Conservator of Forests and the closing down of the Utilization Branch.

13. The Borrower shall submit to the Association, not later than September 1 in each year for its review, its proposals for adjusting the staff salary and incentive structure for FD and GWD field staff referred to in Section 6.01 (f) of this Agreement and implement those adjustments, if any, taking into account the Association's comments.

14. Parts C.2, C.3 and C.4 of the Project shall be carried out by MLNR.

15. The Borrower shall:

(a) assign to the Policy Formulation, Planning, Monitoring and Evaluation Unit referred to in paragraph 2 above the responsibility of preparing, not later than January 31, 1991, a draft National Forest Strategy and related studies;

(b) submit this document to the Association not later than April 30, 1991, for its review;

(c) finalize and publish, not later than September 30, 1991, the National Forestry Strategy taking into account the Association's comments; and

(d) review with the Association, by September 30 of each year until the completion of the Project, said strategy and related work programs and revise them if required, taking into account the Association's comments.

16. Part C.5 of the Project shall be carried out by the Game and Wildlife Department of MLNR.

17. The Borrower shall:

(a) assign to GWD the responsibility to prepare, not later than June 30, 1989, amendments to the Ghana Wild Animal Preservation Act of 1961 which shall include: (i) essential conditions for hunting; (ii) definitions of national parks and conservation areas; and (iii) duties and authority of wildlife officers;

(b) submit these draft amendments, not later than July 31, 1989, to the Association for its review; and

(c) thereafter enact such amendments taking into account the Association's comments.

Part D of the Project



18. Part D of the Project shall be carried out by IRNR and SFS.

19. IRNR shall establish, not later than June 30, 1989, a Management Board comprising of representatives of MLNR, the Forestry Department, the Forestry Commission, the University of Science and Technology, the forest industry and non-governmental organizations involved in forestry. The Management Board shall be assisted by an Academic Committee to be established not later than June 30, 1989, and to have a membership acceptable to the Association. The Academic Committee shall be responsible for reviewing and recommending to the Management Board revisions in IRNR's forestry curriculum in line with national forestry priorities.

20. SFS shall:

(a) improve its three-year training program for technical officers by introducing a revised curriculum and refresher courses for forestry officers;

(b) introduce a forest guard course; and

(c) strengthen its teaching capacity through the implementation of a staff development plan.

Part E of the Project

21. FPRI shall carry out Part E of the Project. In order to enable FPRI to establish close cooperation with related national scientific research organizations, FPRI shall be released, not later than June 30, 1989, from the supervision of the Forestry Commission and be organized as a semi-autonomous institute under the auspices of MLNR.

Part F of the Project

22. The Borrower's Ministry of Finance and Economic Planning shall be responsible for the carrying out of Part F of the Project.

#### SCHEDULE 6

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means: (i) in the case of Special Account MLNR, Categories (1) through (4); (ii) in the case of Special Account AFU, Categories (5) through (8); (iii) in the case of Special Account IRNR, Categories (9) through (12); and (iv) in the case of Special Account FPRI, Categories (13) through (16) as such Categories are 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 to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule, equivalent to \$500,000 in the case of Special Account MLNR, equivalent to \$150,000 in the case of Special Account AFU, equivalent to \$150,000 in the case of Special Account IRNR, and equivalent to \$150,000 in the case of Special Account FPRI.

2. Payments out of any 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 a Special Account has been duly opened, withdrawals of the corresponding Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of any 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 respective 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 said Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of any 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 out of any 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 any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in any 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 any 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 any 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 any 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 any 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.

