

CONFORMED COPY

CREDIT NUMBER 3366-MOZ

Development Credit Agreement

(Coastal and Marine Biodiversity Management Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 1, 2000

CREDIT NUMBER 3366-MOZ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 1, 2000, between REPUBLIC OF MOZAMBIQUE (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 has also requested the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the Global Environment Facility Trust Fund (GEF Trust Fund) by certain members of the Bank as participants to the GEF, to provide additional assistance towards the financing of part of the Project, and by the Global Environment Facility Trust Fund Grant Agreement (GEF Trust Fund Grant Agreement) of even date herewith, the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to SDR 3,100,000; 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 (as amended through October 6, 1999) 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) "CPI" means the Borrower's Investment Promotion Center;
- (b) "DNFFB" means the Borrower's National Directorate of Forestry and Wildlife;
- (c) "DINATUR" means the Borrower's National Directorate of Tourism;
- (d) "Implementing Agencies" means the Borrower's agencies with technical responsibility for implementing the Project, namely DINATUR, DNFFB, CPI, MADER and INIA;
- (e) "MADER" means the Borrower's Ministry of Agricultural and Rural Development;
- (f) "INIA" means the Borrower's Institute of Agricultural Research;
- (g) "Initial Planning Framework Guidelines" means the guidelines referred to in paragraph 5 of Schedule 4 to this Agreement;
- (h) "Micro-Project" means a micro-project designed, prepared and carried out under Part B.3 (a) of the Project;
- (i) "Micro-Projects Operational Manual" means the manual referred to in paragraph 2 of Schedule 4 to this Agreement as amended from time to time, in consultation with the Association, and such term includes any schedules to the Micro-Projects Operational Manual;
- (j) "Matching Grant" means the matching grant to be provided for Micro-Projects under Part B.(3) (a) of the Project;
- (k) "Matching Grant Agreement" means the matching grant agreement referred to in paragraph 3 of Schedule 4 to this Agreement;
- (l) "MICOA" means the Borrower's Ministry for Coordination of Environmental Affairs;
- (m) "Midterm Review" means the midterm review referred to in paragraph 4 of Schedule 4 to this Agreement;
- (n) "Performance Indicators" means the indicators referred to in Schedule 6 to this Agreement;
- (o) "Project Implementation Plan" means the plan referred to in paragraph 1 (a) (ii) of Schedule 4 to this Agreement containing, inter alia, work plans, training plans, and procedures to be used for the purposes of the implementation of the Project, as it may be amended from

time to time, in consultation with the Association, and such term includes any schedules to the Project Implementation Plan;

(p) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

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

(r) "Project Areas" means the following areas in northern Mozambique, namely: (i) an area of about 9,500 sq. km. in Mocimboa da Praia and Palma in the province of Cabo Delgado; and (ii) an area of about 4,700 sq. km. in the contiguous districts of Nacala-Porto and Mossuril in the province of Nampula;

(s) "Project Year" means the 12 month period beginning from the Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(t) "Beneficiary" means a community or group which meets the criteria specified in the Micro-Projects Operational Manual to which or for whose benefit a Matching Grant is made or proposed to be made for a Micro-Project;

(u) "NGOs" means non-governmental organizations; and

(v) "Memorandum of Understanding" means each memorandum of understanding referred to in paragraph 1 (a) (i) of Schedule 4 to this Agreement.

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 four million two hundred thousand Special Drawing Rights (SDR 4,200,000).

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, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. 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 June 30, 2005 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty

days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2010 and ending April 1, 2040. Each installment to and including the installment payable on April 1, 2020 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 MICOA with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, technical and environmental 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. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation and sustainability of the Project, designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar semester a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. 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: (i) appointed and assigned to MICOA a full-time financial and procurement staff with qualifications and experience satisfactory to the Association; and (ii) appointed an adequate number of technical and administrative personnel, with qualifications and experience satisfactory to the Association, to assist in the carrying out of Project activities in the Project Areas;

(b) the Borrower has established a financial management and accounting system acceptable to the Association;

(c) the Borrower has appointed auditors in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) the Borrower has adopted and furnished to the Association the Initial Planning Framework Guidelines, in form and substance satisfactory to the Association;

(e) the Borrower has furnished to the Association each Memorandum of Understanding in form and substance satisfactory to the Association;

(f) all conditions precedent to the effectiveness of the GEF Trust Fund Grant Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled; and

(g) the Borrower has furnished to the Association a procurement plan satisfactory to the Association for the procurement of goods, works and services required for the first Project Year.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Governor of the Bank of Mozambique is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Banko de Mozambique
Agenda 25 de Setembro
P.O. Box 423
Maputo, Mozambique

Cable address:

MOBANCO
Maputo

Telex:

6355/7 BMMO

For the Association:

International Development Association
1818 H Street, NW
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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 MOZAMBIQUE

By /s/ Marcus Namashulua

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Praful Patel

Acting 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) Works	300,000	100% of foreign expenditures and 85% of local expenditures
(2) Consultants' services (including audit services)	1,950,000	100%
(3) Operating Costs	1,900,000	85% of local expenditures
(4) Unallocated	50,000	
Total	4,200,000	

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 incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel and accommodation, and Project staff salaries but excluding salaries of the Borrower's civil servants.

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. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$100,000 equivalent each; (b) for consultants' services under contracts not exceeding: (i) \$100,000 each for consulting firms, and (ii) \$50,000 each for individual consultants; and (c) Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to carry out, on a pilot basis, an integrated approach to sustainable development in the Project Areas, including: (i) strategic integration of conservation measures with regional economic development; (ii) establishment and protection of conservation areas; (iii) initiation of conservation-oriented community

activities; (iv) building of the capacity of stakeholders responsible in the Project Areas for biodiversity protection; (v) raising public awareness of the importance of biodiversity conservation issues and measures; and (vi) establishing best practice for environmentally and biodiversity-friendly development.

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

Part A: Strategic Development Plans

The acquisition for the provincial and district governments of the Project Areas of strategic planning tools for utilization in the conservation and sustainable development of coastal and marine resources in the Project Areas, including the development of two strategic spatial development plans to: (i) cover the Project Areas; and (ii) provide the strategic framework for (A) district development particularly in designated conservation areas, and (B) private sector development and community-based natural resource management or co-management with government agencies.

Part B: Biodiversity Conservation and Sustainable Community Development

1. Management of conservation activities and biological monitoring in the Project Areas, including:

(a) biodiversity conservation and management in the key conservation areas identified in the strategic development planning process;

(b) the establishment and gazetting of the conservation areas, boundary rationalization and zoning for environmentally sustainable uses;

(c) (i) the provision of technical advisory services for the preparation and carrying out of detailed management plans for the marine conservation areas and their buffer zones,

(ii) community land demarcation,

(iii) provision of equipment and construction of infrastructure including guard posts and boundary markers, and

(iv) capacity building for park staff and local communities responsible for the co-management of natural resources and development of revenue generating mechanisms; and

(d) (i) development of best practice guidelines for protected area co-management;

(ii) development of regulations for: (A) the co-management of natural resources by park staff and local communities, and (B) the terms and conditions to be provided for in conservation concessions and co-management agreements with private sector entities,

(iii) analysis of legal, regulatory and institutional issues, and

(iv) ecological and social assessments and community consultations to develop appropriate management

options for other areas of biological interest in the Borrower's territory.

2. (a) The provision of technical advisory services for the carrying out of ecological surveys and monitoring of turtles, dugongs and other indicator species in marine conservation areas and adjacent coastal and marine habitats.

(b) The provision of training to local communities to build local capacity for data collection relevant to the establishment of management guidelines for sustainable harvesting of marine resources.

(c) The establishment in the Project Areas of two field stations to assist in the carrying out of the Borrower's coastal zone management decentralization strategy and the Borrower's environmental and biodiversity monitoring and evaluation system.

3. (a) The provision of Matching Grants to assist Beneficiaries in the carrying out of community-based micro-projects (through local governments and with the assistance of NGOs and community facilitators) that promote biodiversity conservation, including community-run eco-tourism activities and/or micro-enterprises that reduce pressure on biological resources.

(b) Training of community facilitators; capacity building for micro-enterprise development; and facilitating negotiations between the private sector participants and local communities in the Project Areas.

Part C: Private Sector Development

1. (a) Identification in one of the Project Areas of a suitable site for substantial private sector investment in biodiversity conservation.

(b) (i) Provision of technical advisory services to advise on the best means of translating biodiversity management and social expectations of local communities in the Project Areas into environmentally sustainable and profitable alternative forms of livelihood.

(ii) Provision of technical advisory services for the preparation of concession agreements between the Borrower and concessionaires for developments in the Project Areas which conform with criteria and guidelines established during the strategic development planning process, including (A) provision of specialized procurement training, (B) preparation of bid documents, (C) promotion of proposed tenders, and (D) the establishment of appropriate tender procedures and effective monitoring of the administration of said procedures to safeguard globally important biodiversity values in the Project Areas.

Part D: Training and Public Awareness

1. The provision of training to build capacity for decentralized coastal zone planning and management in the Project Areas, including:

(i) training of (A) the technical staff of the Implementing Agencies, (B) communities and local resource users, and (C) traditional leaders, religious leaders, local NGOs and local government staff and other

local administrators; and

(ii) provision of about 10 scholarships for higher level or university degrees at both regional and international institutions in biodiversity and coastal zone management studies.

2. The carrying out of a public awareness campaign targeting decision makers and local resource users to increase knowledge of issues related to marine and coastal biodiversity conservation and to reinforce sustainable use of natural resources in the Project Areas, including: (i) information workshops, (ii) the publication of a coastal zone newsletter by MICOA, (iii) site visits; (iv) the utilization of local language radio broadcasts to educate the public on biodiversity and environmental issues.

Part E: Project Management and Monitoring and Evaluation

1. Coordination and management of the Project at the central and local levels, including (i) the holding of regular Project coordinating meetings, and (ii) provision of technical advisory services, equipment and logistical assistance in the carrying out of the Project.

2. Establishment and implementation of a monitoring and evaluation system for the Project, including:

(i) the establishment of an effective system for data collection and processing on environmental and biodiversity matters; and

(ii) the establishment of an independent monitoring and evaluation team to (A) assess the overall effectiveness of the Project, (B) evaluate the effectiveness of Project activities in achieving Project specific outputs and objectives, (C) establish and expand ecological indicators for the Project Areas, (D) monitor the status of the social conditions of the Project Areas, and (E) advise on the most effective institutional structure for the future collection and evaluation of monitoring data concerning the state of the coastal zone in the Project Areas.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995, and revised in January and August 1996, and in September 1997 and January 1999, (the Guidelines); and (b) the provisions of the following Parts of this

Section I.

Part B: International Competitive Bidding

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

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

(a) Pre-qualification

Bidders for works shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Community Participation

Goods and works required for Part B.3 of the Project shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-Based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association and with the provisions of said paragraph.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) The procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply with respect to:

(i) each contract for the employment of (A) consulting firms estimated to cost the equivalent of \$100,000 or more, and (B) individual consultants estimated to cost the equivalent of \$50,000 or more;

(ii) the terms of reference of all contracts for consulting services; and

(iii) the first three contracts for consulting services.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. Project Implementation Plan

(a) (i) MICOA shall conclude a memorandum of understanding with each of the Implementing Agencies and each provincial or district government participating in the Project, all in form and substance satisfactory to the Association.

(ii) The Borrower shall prepare and furnish to the Association a Project Implementation Plan in a form and substance satisfactory to the Association.

(b) The Borrower shall carry out the Project in accordance with: (i) procedures set out in the Project Implementation Plan; and (ii) each Memorandum of Understanding.

(c) Except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Plan or any Memorandum of Understanding, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Micro-Projects Operational Manual

(a) The Borrower shall carry out Part B.3 of the Project in accordance with procedures set out in a Micro-Projects Operational Manual in form and substance satisfactory to the Association and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of Part

B.3 of the Project.

(b) The Micro-Projects Operational Manual shall, inter alia: (i) set out eligibility criteria and terms and conditions, satisfactory to the Association, for the provision of Matching Grants; and (ii) procedures and guidelines, satisfactory to the Association, applicable to the carrying out of Part B.3 of the Project.

3. Terms and conditions of Matching Grant Agreements

The Borrower shall enter into a matching grant agreement satisfactory to the Association with each Beneficiary. The terms and conditions of a Matching Grant Agreement shall inter alia provide that:

(a) the Beneficiary (i) carries out the Micro-Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Micro-Project;

(b) the goods, works and services to be financed from the proceeds of the Matching Grant shall (i) be procured in accordance with procedures ensuring efficiency and economy; and (ii) be used exclusively in the carrying out of the Micro-Project; and

(c) the Borrower shall have the right to:

(i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Micro-Project, the operations thereof and any relevant records and documents;

(ii) obtain such information as the Borrower or the Association shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and

(iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant upon the failure by the Beneficiary to perform any of its obligations under the Matching Grant.

4. Midterm Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators specified in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out, jointly with the Association, not later than November 30, 2002, a Midterm Review, of the Project, which shall cover, inter alia, (i) progress made in meeting the Project's objectives; (ii) overall Project performance as measured against Performance Indicators, and (iii) quality of the advisory services under the Project;

(c) at least three (3) weeks prior to the Midterm Review, furnish to the Association a report describing the status of the items listed in paragraph (a) above and of Project implementation generally; and

(d) not later than four (4) weeks after the Midterm Review, prepare an action program, acceptable to the Association, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

5. Initial Planning Framework Guidelines

The Borrower shall: (i) prepare Initial Planning Framework Guidelines in form and substance satisfactory to the Association; and (ii) ensure that all investment proposals for the Project Areas are consistent with the guidelines set forth in the Initial Planning Framework Guidelines.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (3) 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 \$300,000 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 deposit into the Special Account of an amount or amounts 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; and

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and

other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after, and to the extent that the Association shall have been satisfied that, all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

evidence or made such deposit or refund, as the case may be.

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

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

The performance indicators for the Project shall include the following:

1. Strategic Development Plans endorsed and under implementation in at least two districts in the Project Areas by the fourth Project Year.
2. All new concessions issued in at least two districts of the Project Areas are in compliance with strategic development plans by the fourth Project Year.
3. Management plans for at least two identified conservation areas are endorsed by the Borrower and under implementation by the end of the third Project Year.
4. Biological Monitoring Plan prepared by Mid-term Review and fully operational by the end of the third Project Year.
5. At least five community development projects identified by the end of the third Project Year.
6. Bid documents prepared and the training under Part D of the Project completed by the end of the third Project Year and concessionary process underway with at least 2 potential investors by the end of the third Project Year.
7. Training program for Part D of the Project developed and under implementation by the end of the third Project Year.
8. Increased involvement of NGOs in monitoring and implementation of the Project by the end of the third Project Year.
9. Improved coordination achieved by the third Project Year among stakeholders evidenced by the number of recorded agreements from regular management meetings of the Borrower's National Steering Committee.



