

**CONFORMED COPY**

**CREDIT NUMBER 3604 TA**

# **Development Credit Agreement**

**(Forest Conservation and Management Project)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 13, 2002**

**CREDIT NUMBER 3604 TA**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated March 13, 2002, between UNITED REPUBLIC OF TANZANIA (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, under its National Forest Policy of March 1998, and its National Forest Program of November 2001, clearly stated its commitment to develop alternative forest management and conservation regimes, financing mechanisms, as well as to establish nature reserves in areas of high biodiversity value and to integrate local institutions and communities in forest conservation and management;

(C) 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 of the GEF, to provide additional assistance towards the financing of Part C of the Project, and that such assistance would be stipulated under the Global Environment Facility Trust Fund Grant Agreement (GEF Trust Fund Grant Agreement) to be concluded at a later date between the Borrower and the Bank; 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/December 2, 1997), with the modifications set forth below, with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.”; and

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

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or

services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

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

(a) “EAMCEF” means the Eastern Arc Mountains Conservation Endowment Fund, a non-governmental organization legally established and operating under a Trust Deed dated June 6, 2001 pursuant to the Borrower’s Trustees’ Incorporation Ordinance (Cap 375) of 1956;

(b) “Eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(c) “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;

(d) “FBD” means the Forestry and Beekeeping Division of MNRT (as hereinafter defined);

(e) “fiscal year” means the Borrower’s fiscal year which begins on July 1 and ends on June 30 of the following year;

(f) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations;

(g) “Independent Auditors” means auditors of the Borrower’s Office of the Controller and Auditor General or an auditor/auditing firm appointed by the Controller and Auditor General to execute independent audits on his behalf;

(h) “MNRT” means Ministry of Natural Resources and Tourism, the Borrower’s Ministry responsible for natural resources and tourism;

(i) “MOF” means Ministry of Finance, the Borrower’s Ministry responsible for finance;

(j) “NFP Steering Committee” means the National Forest Program Steering Committee established and operating pursuant to the laws of the Borrower;

(k) “Project Account” means the account referred to in Section 3.04 of this Agreement;

(l) “Project Implementation Manual” means the Project Implementation Manual, to be adopted pursuant to the provisions of Section 6.01 (a), for implementation of all the components of the Project, in form and substance satisfactory to the Association, and referred to

in paragraph 1 of Schedule 4 to this Agreement and containing, *inter alia*, disbursement and procurement arrangements, work plans, training plans, the monitoring and performance indicators set forth in Schedule 5 to this Agreement, and procedures to be used for the purposes of implementation of the Project, as they may be amended from time to time, in consultation with the Association, and such term includes any schedules to the Project Implementation Manual;

(m) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(n) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 19, 2000 and May 20, 2000 between the Borrower and the Association;

(o) “Special Account” means the account referred to in Section 2.02 (c) of this Agreement; and

(p) “TFS” means Tanzania Forest Service, a proposed specialized executive agency responsible for natural forests, woodlands and industrial plantations, to be established in accordance with the laws of the Borrower.

## **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 twenty-four million six hundred thousand Special Drawing Rights (SDR 24,600,000).

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 and to be financed out of the proceeds of the Credit.

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

(c) The Borrower may, for the purposes of the Project, open and maintain in dollars 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 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007, 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 semi-annually on March 15 and September 15 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 semi-annual installments payable on each March 15 and September 15, commencing March 15, 2012 and ending

September 15, 2041. [Each installment to and including the installment payable on September 15, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount. [Each installment to and including the installment payable on \_\_\_\_\_, \_\_\_\_ shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's 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 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 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 MNRT with due diligence and efficiency and in conformity with appropriate environmental, administrative, financial and economic 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 works, goods 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 Agreement.

Section 3.03. For the purposes of Section 9.07 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 of the Project; and

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

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of making available its counterpart contribution for the financing of the Project:

(a) open and thereafter maintain, until the completion of the Project, a Project Account in its Central Bank on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account by September 30, 2002, an initial contribution of \$50,000;

(c) thereafter replenish said account up to an amount of \$80,000 at the end of each quarter of the fiscal year until the completion of the Project, or whenever its balance shall be less than \$50,000; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition to those financed from the proceeds of the Credit.

## **ARTICLE IV**

### **Financial Covenants**

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by Independent Auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, 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 and 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 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 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 Project Management Reports or 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 its financial management system for the Project in order to enable the Borrower, not later than eighteen 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 quarter a Project Management Report for such period.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) the Borrower's National Forestry Policy dated March, 1998, has been amended, suspended, or waived so as to affect materially and adversely the Project;

(b) the Borrower's Trustees' Incorporation Ordinance (Cap 375) and the Trust Deed dated June 6, 2001, establishing the EAMCEF, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Project; and

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Program shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the

agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Program are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

- (a) the events specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and
- (b) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

## **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 adopted the Project Implementation Manual, in form and substance satisfactory to the Association;
- (b) the Borrower has established a financial management and accounting system acceptable to the Association; and
- (c) the Borrower has appointed to MNRT a Project Accountant, with terms of reference, qualifications and experience acceptable to the Association.

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

## **ARTICLE VII**

## Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance  
P.O. Box 9111  
Dar es Salaam  
Tanzania

Cable address:	Telex:	Facsimile
TREASURY Dar es Salaam	41329	(255) 222 117790

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

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.

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mary Barton-Dock

Acting Regional Vice President  
Africa

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works	4,000,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	3,300,000	100% of foreign expenditures and 90% of local expenditures

(3)	Consultants' services and Audits	6,700,000	100%
(4)	Training	4,800,000	100%
(5)	Incremental operating costs	3,900,000	90%
(6)	Refund of Project Preparatory Advance	500,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7)	Unallocated	1,400,000	
	TOTAL	<u>24,600,000</u> =====	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental operating costs" means building, equipment and vehicle maintenance costs, fuel, office supplies, building rental charges, utilities, and telecommunications costs, Project support staff, but excluding salaries of officials of the Borrower's civil service.

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: (a) civil works under contracts not exceeding \$50,000 equivalent each; (b) goods under contracts not exceeding \$30,000 equivalent each; (c) consulting firms under contracts not exceeding \$100,000 equivalent each; (d) individual consultants under contracts not exceeding \$50,000 equivalent each; and (e) training and incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. 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.

4. For the purposes of this Schedule, the term "Eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of this

Schedule 1.

5. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(b) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account, or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

6. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the Special account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Not Made**  
**On the Basis of Project Management Reports**

1. For the purposes of this Annex the term "Authorized Allocation" means an amount of \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of \$500,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of SDR 5,000,000.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent

withdrawals to replenish said Special Account shall be made as follows:

(a) for withdrawals of said Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into said Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.

(b) for replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 said 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 said Special Account for Eligible Expenditures. Each such deposit into said special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Made**  
**On the Basis of Project Management Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of said special Account's Eligible Categories.



2. Each application for the withdrawal from the Credit Account for deposit into the Special account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the amount of \$3,000,000.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in the establishment of a framework for long-term sustainable management and conservation of its forest resources by strengthening the role of all stakeholders, that is, individuals, local institutions and communities and the private sector in management and conservation of forests.

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: Supporting Institutional Change and Improving Service Delivery**

1. Establishment of the TFS as a specialized executive agency responsible for protection and management of forests, and development and management of individual plantations including: (a) change management in FBD; (b) capacity building for administration and management; and (c) strengthening policy and planning services and capital investment in infrastructure, all through the provision of technical advisory services, training, acquisition of goods and equipment.

2. Improving revenue collection from forests and woodlands through the development of alternative revenue collection mechanisms and monitoring systems to improve rates of collection including: (a) improving non-tax revenue administration; (b) redesigning a revenue collection system; (c) centralizing revenue collection and accounting; and (d) governance information and social marketing, through the provision of technical advisory services, training, acquisition of goods and equipment.

3. Improving service-delivery mechanisms for participatory forests and woodland management by: (a) facilitating the establishment of village forest reserves; (b) encouraging woodland management by individual communities and through joint forest management building on experiences piloted in earlier operations through support to existing participatory forest management initiatives and capacity for new initiatives; (c) provision of the required legal, technical and environmental guidance; (d) working with the local government reform process to

build capacity to manage a wider program of participatory forest management through local government; and (e) networking and information sharing and monitoring activities; all through the provision of technical advisory services, training, acquisition of goods and equipment.

Part B:                    Private Sector Involvement in the Management of Industrial Plantations

1.        Improving the plantation resource information base and management planning capacity through: (a) the carrying out of aerial photography, interpretation, mapping and indicative inventories of around 40,000 hectares of state-owned plantations; (b) the carrying out of a rapid socio-economic assessment to identify key stakeholders, the concerns thereof, and expectations; (c) the development of a plantation database for management purposes; (d) preparation of basic guidelines for plantation management and establishing parameters for monitoring commercial plantation operations; (e) preparation of basic growth and yield tables for key species relying on existing data; (f) the carrying out of preliminary estimates of growing stock and allowable cut; and (g) the strengthening of the capacity of staff in selected areas, all through the provision of technical advisory services, training, acquisition of goods and equipment.

2.        Strengthening institutional support for private sector involvement through the creation of an enabling institutional and market environment for private sector involvement in plantation development and management, all through the provision of technical advisory services, training, acquisition of goods and equipment.

3.        Carrying out a pilot program of alternative management of selected industrial plantations through, *inter alia*: (a) the development of leasing or concession arrangements for involving the private sector in plantation management; (b) the development of co-management arrangements; and (c) designated community management for plantations, all through the provision of technical advisory services, training, the acquisition of goods and equipment.

4.        Establishment of a mechanism for monitoring and evaluation in order to determine performance indicators for the operation of the pilot program referred to in B.3 above, through the provision of technical advisory services, training, the acquisition of goods and equipment.

Part C:                    Eastern Arc Forests Conservation and Management

1.        Operation of EAMCEF as a biodiversity conservation and sustainable financing mechanism for tropical high forest conservation in the Borrower's territory, through the provision of technical advisory services, training, acquisition of goods and equipment.

2.        Strengthening institutional support services for forest biodiversity conservation through the provision of technical advisory services, training, the acquisition of goods and equipment.

\* \* \*

The Project is expected to be completed by June 30, 2007. December 31, 2000

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

Section I.      Procurement of Goods and Works

Part A:        General

1. Goods and works shall be procured in accordance with: (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, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B:        International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and 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 goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a)      Grouping of Contracts

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

(b)      Notification and Advertising

The invitation to qualify or bid for each contract estimated to cost \$150,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C:            Other Procurement Procedures

1.        National Competitive Bidding

(a)       Goods estimated to cost \$30,000 equivalent or more but less than \$150,000 per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b)       Works estimated to cost \$50,000 equivalent or more but less than \$150,000 per contract, up to an aggregate amount not exceeding \$250,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2.        International or National Shopping

Goods and equipment estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3.        Procurement from UN Agencies

Office equipment including fax machines, printers, laptop computers and vehicles, estimated to cost \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4.        Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D:            Review by the Association of Procurement Decisions

1.        Procurement Planning

Prior to the issuance of any invitations 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 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

(a) With respect to the first three contracts for civil works irrespective of value and thereafter, each contract estimated to cost \$50,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply; and

(b) With respect to the first three contracts for goods under National Competitive Bidding procedures, irrespective of value, and thereafter, each contract estimated to cost \$30,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

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, subject to the modifications thereto set forth in paragraph 2 of this Part 2A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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. Single Source Selection

Services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services 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.

3. 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.

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 1.

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) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, 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.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 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 said approval shall have been

given.

(d) Notwithstanding the provisions of subparagraphs (a), (b) and (c) above the Association shall carry out a prior review of the terms of reference and qualifications in respect of all contracts both for consulting firms and individuals.

(e) The following will also be furnished to the Association for its prior review and approval: (i) each contract for the employment of consultants under single source selection procedures; (ii) the contract for financial audit of the Project; and (iii) training.

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 Manual

(a) The Borrower shall prepare and furnish to the Association a Project Implementation Manual in form and substance satisfactory to the Association, setting out details of all procedures and guidelines (including procurement and/or contract management procedures) to be followed in the implementation of the Project.

(b) The Borrower shall carry out the Project in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend or waive any position of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. Implementation of the Project

(a) The Borrower shall, within twenty-four (24) months after the Effective Date, establish and operate TFS as an autonomous institution responsible for protection and management of forests, and development and management of individual plantations.

(b) The Borrower shall maintain the NFP Steering Committee. The NFP Steering Committee shall be responsible for overall guidance of the Project, and shall be comprised, *inter alia*, of representatives from MNRT, MOF, President's Office, Planning and Privatization, FBD, donor representation, and other representation as the Borrower shall deem necessary.

(c) The Borrower shall ensure that no involuntary resettlement would occur as a result of the Project and in the event that this should occur, the Borrower shall ensure that a resettlement plan satisfactory to the Association is adopted and implemented.

(d) The Borrower shall within three (3) months after the Effective Date appoint and thereafter maintain in position a senior forestry officer who shall be responsible, *inter alia*, for the daily management of the Project.

### 3. Work Programs; Review

(a) the Borrower shall: (i) not later than three months before the beginning of each fiscal year, furnish to the Association for approval a draft annual work plan which shall include, *inter alia*, a procurement plan and budget for the Project; and (ii) by June 30 of each year, furnish to the Association the final annual work plan as approved by the Association, and carry out the activities for the year in question on the basis of such work plan;

(b) except as the Association shall otherwise agree, the Borrower shall, carry out each annual work program in a manner satisfactory to the Association; and

(c) the Borrower shall, on every June 30 and December 31 of each year, furnish to the Association semiannual reports, including financial information on Project implementation.

### 4. Progress Reports and Performance Indicators

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement: (i) the carrying out by the Borrower of the Project; and (ii) the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, no later than September 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on: (i) the progress achieved in the carrying out of the Project, during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project; and (ii) the achievement of the objectives thereof during the period following such date; and

(c) review with the Association by December 31 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.



## SCHEDULE 5

### Key Performance Indicators

#### Target Date

- |     |   |                   |
|-----|---|-------------------|
| (a) | A functioning TFS is established with clearly defined service delivery functions and responsibilities with regard to natural forests, woodlands, and industrial plantations.  | December 31, 2004 |
| (b) | Significant areas of natural forest and woodlands are under effective management as an outcome of partnerships and initiatives with multiple partners (primarily communities and local governments).  | June 30, 2007     |
| (c) | A range of mechanisms for improving revenue collection involving partners such as the Tanzania Revenue Authority and/or the private sector are tested and implemented; time-bound forest revenue collection targets are established and achieved; and effective mechanisms for sharing revenues with villages are put in place. | June 30, 2004     |
| (d) | An institutional framework consistent with overall civil service reforms is in place which enables Government to undertake forest biodiversity conservation initiatives, in particular in the Eastern Arc Mountains; institutional capacity to do so is strengthened.   | June 30, 2006     |
| (e) | The modalities for the establishment of a sustainable financial mechanism for conservation of Eastern Arc mountain forests are developed and implemented.   | June 30, 2005     |
| (f) | A framework for the private sector participation in the management of industrial plantation is established, including guidelines, incentives, regulatory monitoring and control mechanisms; and three   | June 30, 2006     |

pilots operations are in place and  
have been evaluated.

