

CONFORMED COPY

CREDIT NUMBER 2026 RW

(Agricultural Services Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 13, 1989

CREDIT NUMBER 2026 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 13, 1989, between RWANDESE REPUBLIC (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS 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; and

WHEREAS the Association has agreed on the basis, inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the "General Conditions") constitute an integral part of this Agreement.

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

(a) "BP" means Union des Banques Populaires, the union of cooperative savings institutions established by the Borrower's arrete no. 020/15.09 of October 6, 1986;

(b) "Cooperation Agreement" means any of the agreements to be entered into between the Borrower through MINAGRI (as hereinafter defined) -Agricultural Services Project and BP or IWACU, as the case may be, pursuant to Section 3.08 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such Cooperation Agreement;

(c) "Franc Rwandais" and "FRW" mean the currency of the Borrower;

(d) "Implementation Agreement" means any of the agreements to be entered into between the Borrower through MINAGRI (as hereinafter defined) -Agricultural Services Project and any of the Borrower's communes or farmers groups in the Project Area (as hereinafter defined) pursuant to Section 3.04 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such Implementation Agreement;

(e) "ISAR" means Institut des Sciences Agronomiques du Rwanda, the Borrower's public entity ("etablissement public") responsible for agricultural research;

(f) "IWACU" means Centre de Formation et de Recherche Cooperative, a non-governmental organization established in the Borrower's territory;

(g) "MINAGRI" means Ministere de l'Agriculture, de l'Elevage et des Forets, the Borrower's Ministry of Agriculture, Livestock and Forests;

(h) "NCC" means the National Coordination Committee to be established pursuant to Section 6.01 (e) of this Agreement;

(i) "NSC" means the Borrower's National Seed Committee responsible for supervision of the Borrower's seeds regulations;

(j) "Project Area" means the area of the prefectures of Kigali, Kibuye, Kibungo, Gisenyi and Cyangugu in the Borrower's territory;

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

(l) "SSS" means Selected Seed Services, a division of MINAGRI responsible for production of base and certified seed and for seed certification services.

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 fifteen million five hundred thousand Special Drawing Rights (SDR 15,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special account in a banking institution on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from 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 cancelled; 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 payment 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 1999 and ending May 15, 2029. Each installment to and including the installment payable on May 15, 2009, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 Dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by

the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. 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 MINAGRI with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Borrower and the Association shall, from time to time, and in any case not later than November 30 of each year before completion of the Project, starting with November 30, 1990, exchange views on the progress achieved in carrying out the Project.

(b) Prior to any such exchange of views as specified in paragraph (a) of this Section and not later than November 30 of each year, the Borrower shall furnish a work program satisfactory to the Association including the following:

- (i) a project performance review for the current year of Project implementation;
- (ii) details of the activities to carry out for the following year of Project implementation including provisions relating to staffing and training;
- (iii) detailed investment and operating budgets broken down by component;
- (iv) a financing plan indicating the funding for the investment and operating budgets; and
- (v) a procurement plan for purchases and works comprised in the work program including procedures and timetables.

(c) During the exchange of views to take place not later than November 30, 1992, the Borrower and the Association shall also discuss:

- (i) the impact of fertilizer use on crop yields in the Project Area;
- (ii) the Borrower's fertilizer pricing policy to improve cost recovery including retail margins;
- (iii) the program of public expenditures for the Borrower's agricultural sector and the Borrower's

budgetary procedures for the financing of the agricultural services to ensure their adequacy for the continued funding of the recurrent costs under the Project;

- (iv) the impact of the Project on the effectiveness of agricultural services;
- (v) the efficiency of the agricultural services system under Part A (a) of the Project; and
- (vi) the timetable for implementation of the system specified in point (c) (v) of this Section in all of the Borrower's territory.

(d) In order to supervise the execution of the Project the Borrower shall also, not later than July 31 of each year before Project completion, furnish to the Association a semiannual progress report reviewed by NCC.

Section 3.03. (a) In order to finance its share of the Project operating costs and without limitation to the generality of Section 3.01 with regard to the provision of funds, the Borrower shall:

- (i) until December 31, 1992, make adequate allocations in its development budget;
- (ii) starting not later than January 1, 1993, make adequate allocations in its recurrent budget; and
- (iii) earmark the allocations under paragraph (ii) of this Section and identify them as a line item.

(b) In order to disburse the allocations made, pursuant to paragraph (a) of this Section, the Borrower shall:

- (i) open, and thereafter maintain, in Franc Rwandais and in the name of MINAGRI-Agricultural Services Project, an account in the National Bank of Rwanda on terms and conditions satisfactory to the Association;
- (ii) deposit into such Project Account an initial amount of FRW 15,000,000; and
- (iii) thereafter deposit quarterly into the Project Account, each year during Project implementation, a sum necessary to replenish the Project Account up to the original amount of FRW 15,000,000.

(c) Amounts deposited into the Project Account pursuant to paragraph (b) of this Section shall be:

- (i) further deposited in local sub-accounts in a manner satisfactory to the Association; and
- (ii) used only to make payments to meet local expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not eligible for financing under the Credit.

Section 3.04. In order to carry out Part A of the Project, the Borrower shall:

(a) not later than June 30, 1990 enter through MINAGRI into Implementation Agreements with at least seven (7) communes and/or farmers groups included in the Project Area, on terms and conditions satisfactory to the Association, defining their tasks in Project implementation and the relating financing arrangements; and

(b) exercise its rights under any of the Implementation Agreements in such manner as to protect the interests of the Borrower and the Association, to accomplish the purposes of the Credit and shall not assign, amend, abrogate or waive any of the Implementation Agreements or any provisions thereof without the consent of the Association.

Section 3.05. In the carrying out of Part A of the Project, unless the Association shall otherwise agree, the Borrower shall also ensure that the following number of forestry nurseries financed under the Project be transferred to and operated by farmers groups:

- (i) not less than eighty (80) by December 31, 1992;
- (ii) not less than one hundred and sixty (160) by December 31, 1993; and
- (iii) the remainder by December 31, 1994.

Section 3.06. In the carrying out of Part A of the Project, the Borrower shall also:

(a) make available the housing for higher-level field staff of MINAGRI under the Project at rentals sufficient to cover at least the cost of maintenance of such housing, but in any event not less, on an annual basis, than one percent (1%) of investment cost, and ensure that such rentals be collected by MINAGRI on the basis of lease agreements satisfactory to the Association;

(b) ensure that the rentals specified in paragraph (a) of this Section be held by MINAGRI-Agricultural Services Project in a bank account to be designated "Rental Account" and used by prefecture coordinators for the maintenance purposes specified in paragraph (a) of this Section;

(c) ensure that the credits provided to extension staff for the purchase of bicycles and motorcycles under the Project be regulated by loan agreements satisfactory to the Association;

(d) ensure that the repayments specified in paragraph (c) of this Section be held by MINAGRI-Agricultural Services Project in a bank account to be designated "Vehicles Account" and used exclusively for the purchase of new vehicles for extension staff; and

(e) not later than the date falling six (6) months after the Effective Date, submit plans satisfactory to the Association for the management of the center in Gishiyita to be financed under Part A (c) of the Project, including proposals for its transfer to the private sector or farmers groups.

Section 3.07. In the carrying out of Part D of the Project the Borrower shall:

(a) recover the direct cost of production of selected seed production in accordance with the following schedule:

- (i) 65% not later than December 31, 1990;
- (ii) 80% not later than December 31, 1991; and
- (iii) 100% not later than December 31, 1992;

(b) not later than June 30, 1990 submit to the Association for review and comment draft technical criteria on seed production and certification prepared by SSS;

(c) promptly afterwards, submit such criteria to NSC for approval; and

(d) not later than January 31, 1991:

- (i) issue guidelines on seed production and certification based on the criteria specified in paragraphs (c) and (d) of this Section; and
- (ii) empower SSS to control and certify seed quality.

Section 3.08. In order to carry out Part E of the Project the Borrower shall:

(a) not later than March 31, 1990 enter through MINAGRI-Agricultural Services Project into Cooperation Agreements, on terms and conditions satisfactory to the Association, with:

- (i) BP, including, inter alia, the provision of agricultural credit by BP and the establishment of a fund to be financed under Part E of the Project to guarantee such provision; and
- (ii) IWACU, providing, inter alia, for the training of cooperatives members in bookkeeping, inventory management, preparation of loan applications and the fostering of inter-cooperative relationships in the Project area; and

(b) exercise its rights under any of the Cooperation Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and shall not assign, amend, abrogate or waive any of the Cooperation Agreements or any provision thereof without the consent of the Association.

Section 3.09. The Borrower shall appoint within MINAGRI not later than December 31, 1991, an agro-economist, to be responsible for assisting the Project administrator to coordinate the activities under Part C of the Project, and whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

Section 3.10. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account for each fiscal year, audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) any of the communes or farmers groups included in the Project area shall have failed to perform any of their obligations under any Implementation Agreement.

(b) Any of the BPs or IWACU shall have failed to perform any of their obligations under any Cooperation Agreement.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of BP, ISAR, IWACU, NCC or SSS.

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

(a) any event specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has opened the Project Account and deposited the initial amount referred to in Section 3.03 (b) (ii) of this Agreement;

(b) the Borrower has retained prefecture agriculture coordinators in each of the prefectures within the Project area;

(c) the Borrower has appointed the following higher-level staff for managing the Project whose experience and qualifications are satisfactory to the Association: (i) a Project administrator (fonctionnaire dirigeant); (ii) an adaptive research officer; and (iii) a financial officer;

(d) an agreement satisfactory to the Association has been entered into between the Borrower, through MINAGRI-Agricultural Services Project and ISAR, for the carrying out of Part B of the Project; and

(e) NCC has been established for the supervision of Project work plans and budgets.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Agreement referred to in Section 6.01 (d) of this Agreement has been duly made and is legally binding upon the Borrower and ISAR in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministere des Finances
B.P. 158
Kigali
Rwandese Republic

Cable address:

MINFIN-Kigali

Telex:

287
MINFIN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their

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

RWANDESE REPUBLIC

By /s/ Aloys Uwimana
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	3,640,000	95%
(2) Equipment, vehicles materials and inputs	2,640,000	100% of foreign expenditures and 95% of local expenditures
(3) Consultants, training and studies	2,250,000	100%
(4) Promotional activities under Part E of the Project	1,730,000	95%
(5) Forest and coffee nurseries	1,860,000	95%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6) Operating costs	1,860,000	75% of expenditures paid through December 31, 1990; 60% of expenditures paid from January 1, 1991 to December 31, 1991; 50% of expenditures paid from January 1, 1992 to December 31, 1992;

35% of expenditures
paid from January 1, 1993
to December 31, 1993

(7) Unallocated	1,520,000
	<hr/>
TOTAL	15,500,000

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;

(c) the term "operating costs" means the cost of office supplies, building and equipment maintenance and vehicles operating costs but does not include any salary, per diem or transportation allowance which shall be borne by the Borrower.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to strengthen adaptive and on-farm research; (ii) to improve the delivery of extension services to farmers with a particular emphasis on reaching women; (iii) to strengthen the production of selected seed; and (iv) to promote greater private sector participation in the marketing of agricultural inputs and produce.

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: Extension

Reorganization and streamlining of extension services in all or part of the prefectures of Cyangugu, Kigali, Kibuye, Kibungo, and Gisenyi including:

(a) implementation of a new structure integrating extension, adaptive research, monitoring and evaluation;

(b) improvements in the links between research and extension;

(c) investments to strengthen livestock and forestry extension activities;

(d) continuous on-the-job training of extension staff; and

(e) improvements in the methodology and content of extension.

Part B: Adaptive and On-farm Research

Strengthening of adaptive and on-farm research through:

(a) diagnostic surveys at the farm level;

(b) inclusion of farmers and local authorities in problem

identification and solving;

(c) implementation of on-farm and multi-local trials of new techniques and technologies; and

(d) support for communal agricultural planning.

Part C: Monitoring and Evaluation

Support of monitoring and evaluation through:

(a) implementation of a management information system;

(b) sensitization and training of staff to the new system of monitoring and evaluation;

(c) development of indicators for monitoring the internal functioning of the agricultural services and the impact of extension; and

(d) regular reviews by technical staff supplemented by more detailed outside evaluations as needed.

Part D: Seed Production

Strengthening of seed production and distribution through:

(a) Support to SSS to improve seed quality control and certification;

(b) support to NSC for supervision of seed regulation;

(c) improvement of seeds pricing policy; and

(d) rationalization of seed production including: (i) improvement in the management of existing seed farms; (ii) establishing of a new multi-purpose and demonstration seed farm in Bugarama; and (iii) involvement of farmers in seed multiplication.

Part E: Promotion

Promotion of private sector participation in marketing of agricultural inputs and products through:

(a) the establishment of an Agricultural Promotion Office to assist farmers and farmer cooperative groups: (i) in the obtaining of credit from financial institutions; and (ii) in improving the management of agricultural enterprises;

(b) the provision by BP, IWACU and non-governmental organizations of the services specified in paragraph (a) of this Part; and

(c) the construction of three quays along Lake Kivu in the Project Area.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits"

published by the Bank in May 1985 (the "Guidelines").

2. To the extent practicable, contracts shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Civil works, with the exception of those relating to the construction of three quays under Part E (c) of the Project, items which cannot be grouped or groups of items estimated to cost less than the equivalent of \$100,000 but not less than the equivalent of \$20,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items which cannot be grouped or groups of items estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. (a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

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

2. The figure of 15% is hereby specified for purposes of

paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of the Project described in Schedule 2 to this Agreement, the Borrower shall employ consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in 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; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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



