

**CONFORMED COPY**

**CREDIT NUMBER 3583 MLI**

# **Development Credit Agreement**

**(Agricultural Services and Producer Organizations Project)**

**between**

**REPUBLIC OF MALI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 12, 2001**

**CREDIT NUMBER 3583 MLI**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated December 12, 2001, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated November 1, 2001, from the Borrower (the Policy Letter), describing a program of actions, objectives and policies designed to reform and strengthen its agricultural sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(C) the Borrower has requested that the Association support the execution of the Program through a series of credits over a period of approximately eleven years, the proceeds of such credits to be utilized by the Borrower in the implementation of the Program;

(D) the Borrower intends to obtain from the Kingdom of the Netherlands, the French Republic, the United States of America, the European Union and other donors (hereafter collectively referred to as Donors) loans or grants, as the case may be, in an aggregate amount equivalent to approximately \$17,000,000 to assist in the financing of the Program on the terms and conditions set forth in the respective loan or grant agreements (the Financing Agreements) to be entered into between the Borrower and each of the Donors;

(E) Part B of the Project will be carried out by the *Comité National de la Recherche Agricole* (CNRA) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in this Agreement (the Credit) available to CNRA as set forth in this Agreement;

(F) Part D of the Project will be carried out by the *Assemblée Permanente des Chambres d'Agriculture du Mali* (APCAM) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit available to APCAM as set forth in this Agreement; 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 and in the two Project Agreements of even date herewith between the Association and: (i) CNRA (the CNRA Project Agreement), and (ii) APCAM (the APCAM Project Agreement) respectively.

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), 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

(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;”.

(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.”, and

(c) the first sentence in Section 9.06 (c) is modified to read:

“Promptly after completion of the Project, but in any event not later than three months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”

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) “AIDS” means acquired immune deficiency syndrome;

(b) “ANOPA” means *Association Nationale des Organisations Professionnelles Agricoles*, to be established under the Project;

(c) “APCAM” means *Assemblée Permanente des Chambres d’Agriculture du Mali*, an entity representing agricultural chambers existing in the territory of the Borrower, established pursuant to the Borrower’s law No. 93-044, dated August 4, 1993, and Decree No. 93-295/P-RM, dated August 18, 1993, as amended up to the date of this Agreement;

(d) “APCAM Project Agreement” means the agreement of even date herewith between the Association and APCAM, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the APCAM Project Agreement;

(e) “APCAM Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and APCAM pursuant to Section 3.01 (d) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the APCAM Subsidiary Grant Agreement;

- (f) “APO” means the agricultural producer organizations established and operating under the laws of the Borrower at the central, regional and local levels;
- (g) “APO Manual” means the APO Agricultural Advisory Service Grant Management Manual, as included in the POM (as hereafter defined);
- (h) “Beneficiary” means individual members, or groups of members of APOs or VAs (as hereafter defined) established and operating under the laws of the Borrower, relating to Subprojects (as hereafter defined);
- (i) “Beneficiary Grant” means a grant for the financing of a Subproject, provided by an APO or VA (as hereafter defined), as the case may be, to a Beneficiary;
- (j) “Beneficiary Grant Agreement” means an agreement concluded or to be concluded between an APO or VA (as hereafter defined), as the case may be, and a Beneficiary for the purpose of making a Beneficiary Grant;
- (k) “CARI” means *Cellule d’Appui aux Réformes Institutionnelles*, the institutional reform unit established in MDR (as hereafter defined);
- (l) “CAR & DG Fund” means the Competitive Agricultural Research and Development Grant Fund to be established under the Project;
- (m) “CAR & DG Fund Manual” means the operational manual outlining the eligibility and implementation criteria under CAR & DF Fund financing, included in the POM;
- (n) “CC” means *Cellule de Coordination*, the Project coordination unit, established and operating in MDR (as hereafter defined), pursuant to Decree No. 01-324/PM-RM, dated August 2, 2001;
- (o) “CMDT” means *Compagnie Malienne pour le Développement des Textiles*, a textile developing share holder company where the Borrower holds the majority, established and operating pursuant to *Ordonnance* No. 4/CMLN dated January 30, 1975, published in the Borrower’s legal gazette no. 21 dated March 1, 1975 pages 1012 through 1016;
- (p) “CNRA” means *Comité National de la Recherche Agronomique*, the Borrower’s National Committee for Agricultural Research, established and operating pursuant to Decree No. 1-243/P-RM, dated June 7, 2001;
- (q) “CNRA Project Agreement” means the agreement of even date herewith between the Association and CNRA, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the CNRA Project Agreement;
- (r) “CNRA Special Account” means the special deposit account to be opened in the name of CNRA for the purposes of carrying out Part B of the Project, pursuant to Part B 1 (ii) of Schedule 1 to this Agreement;
- (s) “CNRA Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and CNRA pursuant to Section 3.01 (d) (i) of this Agreement, as the same

(s) “CNRA Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and CNRA pursuant to Section 3.01 (d) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the CNRA Subsidiary Grant Agreement;

(t) “*Collectivités Décentralisées*” means the autonomous local administrative entities established under the Borrower’s Laws Nos. 96-059, dated February 21, 1996, Official Gazette No. 6 dated March 31, 1996 pp 204-209; No. 96-059, dated November 4, 1996, Official Gazette (special edition) No. 3 dated November 26, 1996; and No. 99-035 dated August 10, 1999, Official Gazette No. 21 dated August 1999, pp 806-810;

(u) “COP” means *Comité d’Orientation et de Pilotage*, the Borrower’s interministerial Project supervision unit, established pursuant to Decree No.: 01-324/PM-RM, dated August 2, 2001;

(v) “CPSP” means *Centre de Prestation de Services Privés*, private agricultural service centers, established and operating under the laws of the Borrower;

(w) “CRA” means *Chambre Régionale d’Agriculture*;

(x) “DAF” means *Direction Administrative et Financière*, the Directorate responsible for the administration of staff, equipment and financial resources in MDR (as hereafter defined);

(y) “DGRC” means *Direction Générale de la Réglementation et du Contrôle*, the Directorate for Regulation and Control in MDR (as hereafter defined);

(z) “DNAER” means *Direction Nationale de l’Aménagement et de l’Équipement Rural*, the national directorate for rural development and equipment in MDR (as hereafter defined);

(aa) “DNAMR” means *Direction Nationale de l’Appui au Monde Rural*, the national directorate for rural support in MDR (as hereafter defined);

(bb) “DNAMR/MDR Special Account” means the special deposit account to be opened in the name of DNAMR/MDR for the purpose of carrying out Part C of the Project, pursuant to Part B.1 (iii) of Schedule 1 to this Agreement;

(cc) “Eligible Categories” means, in respect of:

(i) the Special Account (as hereafter defined) for Parts A and D of the Project (the MDR/DAF Special Account), Categories (1) (a) and (d); (2) (a) and (d); (3) (a) and (d); (5) and (6) (a) and (d), set forth in the table of Part A 1. of Schedule 1 to this Agreement;

(ii) the Special Account for Part B of the Project (the CNRA Special Account), Categories (1) (b); (2) (b); (3) (b), (4) and (6) (b), set forth in the table of Part A.1 of Schedule 1 to this Agreement;

(iii) the Special Account for Part C of the Project (the DNAMR/MDR Special Account), Categories (1) (c); (2) (c); (3) (c); and (6) (c) set forth

(iii) the Special Account for Part C of the Project (the DNAMR/MDR Special Account), Categories (1) (c); (2) (c); (3) (c); and (6) (c) set forth in Part A.1 of Schedule 1 to this Agreement; and

(iv) MDR/DAF Eligible Categories, CNRA Eligible Categories or DNAMR/MDR Eligible Categories means the Eligible Categories pursuant to (i), (ii) or (iii) of this subparagraph, as applicable;

(dd) “Eligible Expenditures” means the expenditures for works, goods and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to a Special Accounts’ Eligible Categories;

(ee) “EMP” means the environmental management plan, included in the POM (as hereafter defined);

(ff) “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(gg) “Fiscal Year” means the fiscal year of the Borrower starting January 1 and ending December 31 of each calendar year;

(hh) “Grant” means a grant made, or to be made, to a Beneficiary, APO or VA (as hereafter defined), as the case may be;

(ii) “IEC” means information, education and communication;

(jj) “IER” means *Institut d’Economie Rurale*, the Borrower’s Rural Economic Institute, established pursuant to *Ordonnance* No. 01-024/PRM, dated March 22, 2001, and Decree 01-184/PRM dated April 24, 2001;

(kk) “ISMIS” means Integrated Sector Management Information System;

(ll) “Initial Deposit” means the initial amount to be paid into the Project Account pursuant to Section 3.04 (b) of this Agreement;

(mm) “LCV” means *Laboratoire Central Vétérinaire*, the Borrower’s central veterinary laboratory, established and operating under the laws of the Borrower;

(nn) “MDR” means *Ministère du Développement Rural*, the Borrower’s Ministry of Agricultural Development;

(oo) “MDR/DAF Special Account” means the special deposit account to be opened in the name of MDR/DAF pursuant to Part B.1 (i) of Schedule 1 to this Agreement;

(pp) “MRSC” means *Mission de Restructuration du Secteur Coton*, an ad-hoc working group to restructure the Borrower’s cotton sector in PM (as hereafter defined) ;

(qq) “PM” means *Primature*, the Borrower’s Prime Ministry;

(rr) “Procurement Manual” means the manual setting forth the procurement procedures to be applied for the carrying out of the Project and included in the POM (as hereafter defined);

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

(tt) “Project Agreements” means the APCAM Project Agreement and the CNRA Project Agreement;

(uu) “Project Operational Manual” or “POM” means the manual (including the APO Manual, the CAR & DG Fund Manual, the EMP and the Procurement Manual), referred to in Part A.1 of Schedule 4 to this Agreement, including, inter alia, supporting handbooks, work-plans, participatory monitoring and performance indicators and procedures to be used by the Borrower, APCAM, CNRA and DNAMR for the purpose of carrying out Part A, D, B, and C of the Project, respectively, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Manual;

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

(ww) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to letter agreements signed on behalf of the Association and the Borrower on June 12 and 24, 2000, and October 26 and 30, 2001;

(xx) “RAU” means Regional Agricultural Unions to be established under the Project;

(yy) “SNRA” means *Système National de Recherche Agricole*, the Borrower’s agricultural research concept outlined in the Policy Letter;

(zz) “Special Account” means any one of the special deposit accounts set forth under Part B of Schedule 1 to this Agreement;

(aaa) “Subproject” means an activity financed under Parts B.3 or D.3 of the Project;

(bbb) “Subproject Grant Agreement” means an agreement concluded or to be concluded between APCAM and an APO or VA (as hereafter defined), as the case may be for the purpose of carrying out activities under Part D.3 of the Project;

(ccc) “Subsidiary Grant Agreements” mean the APCAM Subsidiary Grant Agreement and the CNRA Subsidiary Grant Agreement; and

(ddd) “VA” means Village Associations established and operating under 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 thirty-four million two hundred thousand Special Drawing Rights (SDR

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-four million two hundred thousand Special Drawing Rights (SDR 34,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Credit, and (ii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made for the benefit of a Beneficiary under a Grant, to meet the reasonable cost of works, goods and services required for a Subproject and in respect of which a withdrawal from the Credit Account is requested.

(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.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing February 1, 2012 and ending August 1, 2041. Each installment to and including the installment payable on August 1, 2021, shall be one percent (1%) of such principal



the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing February 1, 2012 and ending August 1, 2041. Each installment to and including the installment payable on August 1, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. With respect to Part B of the Project, CNRA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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 Parts A and C of the Project through MDR/DAF and DNAMR/MDR, respectively, with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and shall

Project through MDR/DAF and DNAMR/MDR, respectively, with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A and C of 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 Parts A and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its obligations under the Development Credit Agreement, the Borrower shall cause:

(i) CNRA to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and in accordance with the provisions of the CNRA Project Agreement and the implementation program set forth in Schedule 4 to this Agreement, all the obligations of CNRA therein set forth; shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable CNRA to perform such obligations; and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(ii) APCAM to carry out Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and in accordance with the provisions of the APCAM Project Agreement and the implementation program set forth in Schedule 4 to this Agreement, all the obligations of APCAM therein set forth; shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable APCAM to perform such obligations; and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall:

(i) make available to CNRA on a non-reimbursable basis out of the proceeds of the Credit the amounts allocated from time to time to Categories (1) (b); (2) (b); (3) (b) and (6) (b) of the table in paragraph A 1 of Schedule 1 to this Agreement under an agreement to be entered into between the Borrower and CNRA (the CNRA Subsidiary Grant Agreement) under terms and conditions satisfactory to the Association, in an amount not exceeding three million four hundred fifty thousand Special Drawing Rights equivalent (SDR 3,450,000); and

(ii) make available to APCAM on a non-reimbursable basis out of the proceeds of the Credit the amounts allocated from time to time to Categories (1) (d); (2) (d); (3) (d) and (6) (d), of the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement to be entered

Categories (1) (d); (2) (d); (3) (d) and (6) (d), of the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement to be entered into between the Borrower and APCAM (the APCAM Subsidiary Grant Agreement), under terms and conditions satisfactory to the Association, in an amount not exceeding two million eight hundred fifty thousand Special Drawing Rights equivalent (SDR 2,850,000).

(e) The Borrower shall exercise its rights under the Subsidiary Grant Agreements, respectively, in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Grant Agreements or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (i) Part B of the Project, shall be carried out by CNRA pursuant to Section 2.03 of the CNRA Project Agreement; and (ii) in respect of Part D of the Project, shall be carried out by APCAM pursuant to Section 2.03 of the APCAM Project Agreement.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) until the completion of the Project, open and maintain an account in FCFA in a commercial bank (the Project Account) on terms and conditions satisfactory to the Association;

(b) pay into the Project Account an initial amount of FCFA three hundred million (FCFA 300,000,000) (the Initial Deposit) to finance the Borrower's contribution to the expenditures required under the Project;

(c) thereafter, during each following quarter, deposit into the Project Account the amount required to cover the Borrower's counterpart contribution for each such following quarter, as determined by the Borrower and the Association; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance expenditures required under the Project other than those financed from the proceeds of the Credit or the proceeds of any Financing Agreement or any other donor.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a form acceptable to

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

(b) The Borrower shall:

- (i) have: (A) the records, accounts and financial statements referred to in paragraph (a) of this Section, and (B) the records and accounts for the DNAMR/MDR Special Account for each Fiscal Year audited in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each such Fiscal Year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months following the Effective

Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months following 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 Parts A and C of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Part A and C of 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 implementation of Parts A and C of the Project, 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 Parts A and C of 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) CNRA or APCAM shall have failed to perform any of their respective obligations under their respective Project Agreements; and

- (b) (i) Subject to subparagraph (ii) of this paragraph:
  - (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Financing 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

- (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 Financing Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 90 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (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 shall have :
  - (i) opened the Project Account and deposited therein the Initial Deposit;
  - (ii) appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, the auditors referred to in Section 4.01 (b) of this Agreement;
  - (iii) established in DAF and DNAMR, respectively: (A) a computerized financial management system, and (B) a monitoring and evaluation system, both acceptable to the Association, for the purposes of carrying out Parts A and C of the Project;
  - (iv) adopted and furnished to the Association the Project Operational Manual, in form and substance acceptable to the Association; and
  - (v) (A) recruited, in accordance with the provisions of Section II of Schedule 3 to this Agreement a financial specialist, and (B) concluded a one-year contract with a procurement specialist for DAF in form and substance acceptable to the Association;
- (b) each of the Subsidiary Grant Agreements, in form and substance acceptable to

(b) each of the Subsidiary Grant Agreements, in form and substance acceptable to the Association, has been executed on behalf of the Borrower, CNRA and APCAM, respectively;

(c) (i) a computerized financial management system, and (ii) a monitoring and evaluation system, both acceptable to the Association, have been established in CNRA for the purposes of carrying out of Part B of the Project; and

(d) (i) a computerized financial management system, and (ii) a monitoring and evaluation system, both acceptable to the Association, have been established in APCAM for the purposes of carrying out of Part D of the Project.

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:

(a) the CNRA Project Agreement has been duly authorized or approved by CNRA and is legally binding upon CNRA in accordance with its terms;

(b) the APCAM Project Agreement has been duly authorized or approved by APCAM and is legally binding upon APCAM in accordance with its terms;

(c) the CNRA Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and CNRA and is legally binding upon the Borrower and CNRA in accordance with its terms; and

(d) the APCAM Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and APCAM and is legally binding upon the Borrower and APCAM in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) 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. Except as provided in Section 2.09 of this Agreement, the Minister in charge of finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Minister of Economy and Finance  
Ministry of Economy and Finance  
BP. 234  
Bamako

MALI

Facsimile:  
(223) 22.88.53

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	(202) 477-6391
Washington, DC	or 64145 (MCI)	

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

REPUBLIC OF MALI

By /s/ Cheick Oumar Diarra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig

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) Works		80%
(a) for Part A of the Project	400,000	
(b) for Part B of the Project	700,000	
(c) for Part C of the Project	100,000	
(d) for Part D of the Project	50,000	
(2) Goods		100% of foreign expenditures and 90% of local expenditures
(a) for Part A of the Project	2,750,000	
(b) for Part B of the Project	1,200,000	
(c) for Part C of the Project	3,550,000	
(d) for Part D of the Project	550,000	
(3) Consultants' services		80%
(a) for Part A of the Project	5,900,000	
(b) for Part B of the Project	950,000	
(c) for Part C of the Project	3,550,000	
(d) for Part D of the Project	1,750,000	
(4) Grants under Part B.3 of the Project	1,200,000	100% of amounts disbursed

(5)	Grants under Part D.3 of the Project	2,600,000	100% of amounts disbursed
(6)	(a) Operating costs for Part A of the Project (MDR)	1,100,000	80%
	(b) Operating costs for Part B of the Project (CNRA)	600,000	60%
	(c) Operating costs for Part C of the Project (DNAMR)	3,550,000	75%
	(d) Operating costs for Part D of the Project (APCAM)	500,000	50%
(7)	Refunding of Project Preparation Advance	1,650,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8)	Unallocated	1,550,000	
	TOTAL	34,200,000	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “Operating Costs” means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel and accommodation and Project audits, 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 expenditures for works under contracts costing less than \$200,000 equivalent each, and for expenditures for goods and services with firms under contracts costing less than \$100,000 each, or with individual consultants costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to

costing less than \$100,000 each, or with individual consultants costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

**B. Special Account**

1. The Borrower shall open and maintain in FCFA in a commercial bank, acceptable to the Association, three separate special deposit accounts, on terms and conditions acceptable to the Association, namely:

- (i) the MDR/DAF Special Account for Parts A and D of the Project, funding categories (1) (a) and (d); (2) (a) and (d); (3) (a) and (d); (5) and (6) (a) and (d) as set forth in the table of Part A.1 of this Schedule 1 to this Agreement;
- (ii) the CNRA Special Account for Part B of the Project, funding categories (1) (b); (2) (b); (3) (b), (4) and (6) (b) as set forth in the table of Part A.1 of this Schedule 1 to this Agreement; and
- (iii) the DNAMR/MDR Special Account for Part C of the Project, funding categories (1) (c); (2) (c); (3) (c); and (6) (c) as set forth in Part A.1 of this Schedule 1 to this Agreement.

Each of the Special Accounts shall be opened and maintained on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.

2. After the Association has received evidence satisfactory to it that a Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the said 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 Accounts 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 Accounts, 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. 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 any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

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

(c) 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 (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. 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.

6. (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 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this 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:

(a) for the purposes of the MDR/DAF Special Account an amount of FCFA one billion one hundred million (FCFA 1,100,000,000) to be withdrawn from the Credit Account and deposited into the MDR/DAF Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of FCFA five hundred fifty million (FCFA 550,000,000) until the aggregate amount of withdrawals from the Credit Account allocated to the MDR/DAF Eligible Categories, 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 or exceed the equivalent of SDR 8,000,000 (eight million Special Drawing Rights);

(b) for the purposes of the CNRA Special Account, an amount of FCFA two hundred fifty million (FCFA 250,000,000) to be withdrawn from the Credit Account and deposited into the CNRA Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of FCFA one hundred twenty-five million (FCFA 125,000,000) until the aggregate amount of withdrawals from the Credit Account allocated to the CNRA Eligible Categories, 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 or exceed the equivalent of SDR 5,000,000 (five million Special Drawing Rights); and

(c) For the purposes of the DNAMR/MDR Special Account, an amount of FCFA eight hundred forty million (FCFA 840,000,000) to be withdrawn from the Credit Account and deposited into the DNAMR/MDR Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of FCFA four hundred twenty million (FCFA 420,000,000) until the aggregate amount of withdrawals from the Credit Account of amounts allocated to the DNAMR/MDR Eligible Categories, 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 or exceed the equivalent of SDR 3,000,000 (three million Special Drawing Rights).

2. Withdrawals of any one of the Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of an Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into a specific 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 the specified Special Account such amount, as the Borrower shall have requested.

(b) For replenishment of a Special Account, the Borrower shall furnish to the Association requests for deposit into a specific 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 the specific Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the specific Special Account for the respective Eligible Expenditures. Each such deposit into the specific Special Account shall be withdrawn by the

Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the specific Special Account for the respective Eligible Expenditures. Each such deposit into the specific Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit allocated to the respective Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of said 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 said Special Account as of the date of such notice will be utilized in making payments for the respective 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 a specific Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into a 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 respective 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 so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed:

- (i) FCFA one billion seven hundred million (FCFA 1,700,000,000) in respect of the MDR/DAF Special Account;
- (ii) FCFA three hundred seventy million (FCFA 370,000,000) in respect of the CNRA Special Account; and
- (iii) FCFA one billion three hundred million (FCFA 1,300,000,000) in respect of the

- (iii) FCFA one billion three hundred million (FCFA 1,300,000,000) in respect of the DNAMR/MDR Special Account.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in alleviating rural poverty through measures designed to: (a) sustain productivity increases in agricultural and non-agricultural activities; and (b) strengthen the institutional framework to carry out the Borrower's agricultural reform program including: (i) capacity building in MDR and public agricultural service agencies; (ii) piloting the transfer of extension activities to the private sector in five of the Borrower's regions; and (iii) improving the effectiveness of private agricultural producer's associations.

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:**            Institutional Strengthening and Capacity Building of MDR

1.        Transfer of MDR's Non-basic Public Service Functions to the Private Sector

Strengthening the policy-making and regulatory and control functions of MDR and devolution of the following functions of MDR to autonomous Borrower or private entities, or *Collectivités Décentralisées*, as the case may be:

- (a)        veterinary services and artificial insemination;
- (b)        production and commercialization of improved seeds and seedling;
- (c)        management of public slaughter houses and slaughter areas;
- (d)        provision of technical and management services to cooperative organizations;
- (e)        management of natural resources; and
- (f)        provision of agricultural extension and advisory services and training to selected staff in MDR.

2.        Decentralization of MDR's Services and Institutional Support

Strengthening the core policy making and regulatory functions of MDR through decentralization of selected functions of MDR to regional and local government entities:

- (a)        decentralization of DGRC, DNAER, and DNAMR to the regional and local level by:
  - (i)        designing and adopting a new, decentralized organizational structure;
  - (ii)        realigning MDR's internal policies, procedures and management systems to accord with its new structure; through the provision of technical

- (ii) realigning MDR's internal policies, procedures and management systems to accord with its new structure; through the provision of technical advisory services, the acquisition of equipment and training of selected staff in MDR, CARI, DGRC, DNAER, and DNAMR; and
  - (iii) carrying out studies to assess the human resource capacity and requirements of MDR under the new policy, establishing an action and training plan and implementing said plan.
- (b) strengthening of MDR's regulatory and quality control functions by:
  - (i) establishment of a *National Committee for Food Safety*, and the strengthening of a *National Epidemiology Surveillance Network*, and the *National Pest Management Committee*;
  - (ii) renewal of critical food safety and agricultural input safety and environmental standards and regulations, and of control policies and procedures, and the wide dissemination of standards and regulations; and
  - (iii) strengthening of the administrative capacity of DGRC and DNAER; through the provision of technical advisory services, the acquisition of equipment and training of selected staff in MDR, CARI, DGRC, DNAER, and selected government agencies and selected private sector service providers.
- (c) strengthening MDR's policy formulation, planning, statistics, monitoring and evaluation capacities by establishing ISMIS through the provision of technical advisory services, the acquisition of equipment and training of selected staff in MDR, ISMIS, and selected government agencies and selected private sector service providers;
- (d) strengthening of DAF by increasing the administrative, finance and human resources management capacity of DAF through the provision of technical advisory services, the acquisition of equipment and training of selected staff in DAF; and
- (e) strengthening of CC by increasing the administrative, finance and coordination and Project monitoring and evaluation management capacity of CC by the provision of technical advisory services, the acquisition of equipment, and training of selected staff in CC.

### 3. Restructuring and Strengthening the Cotton Sector

- (a) carrying out studies to concentrate CMDT's mission on its basic responsibilities and facilitate the free competition among, and the privatization of certain selected activities in the sector enhancing productivity; and
- (b) carrying out studies to assess the policy reform needs and implementation requirements for the cotton sector; through the provision of technical advisory services and training and the acquisition of equipment to selected staff in CMDT and MRSC.

### 4. Rural Training, Communication, AIDS Prevention and Assistance and Disaster Relief Management



Carrying out a rural training, IEC, AIDS prevention and disaster relief program for selected groups of the rural population in selected areas of the Borrower's territory, including:

- (a) designing and carrying out of a training program adapted to rural needs;
- (b) designing and carrying out of IEC programs in rural areas;
- (c) designing and carrying out of an AIDS prevention and assistance program in rural areas; and
- (d) designing and carrying out of a disaster prevention and emergency assistance program in rural areas, including: (i) a drought preparedness program, and (ii) the removal and destruction of stocks of obsolete pesticides; all through the provision of technical advisory services, the acquisition of equipment and training of selected staff in MDR.

Part B: Improving the Efficiency, Relevance, and Sustainability of the Borrower's Agricultural Research System

1. Strengthening CNRA's Research Management Capacity

Strengthening CNRA's management capacity for providing policy, scientific guidance and management of SNRA, including:

- (a) strengthening CNRA's administrative capacity for agricultural research, policy planning, prioritizing of tasks, operational management and development of technology-generation programs;
- (b) establishing the CAR & DG Fund as financing mechanism for strategic and applied agricultural medium and long-term research in the territory of the Borrower; and
- (c) establishing a decentralized and demand driven financing mechanism for short-term agricultural research in the territory of the Borrower; through the provision of technical advisory services, training of selected staff in CNRA, IER, CAR & DG Fund and LCV, provision of equipment and the establishment of twinning arrangements between CNRA, IER, LCV and selected international research facilities.

2. Strengthening the Scientific Management Capacity of SNRA

Rehabilitation of IER's and LCV's physical infrastructure, the provision of technical advisory services, training of selected staff in IER and LCV, the acquisition of equipment and participation in regional and international networks and workshops.

3. Provision of Grants for Agricultural Research and Development

Provision of Grants to a Beneficiary for the carrying out of small farm agricultural research and development.

4. Carrying out strategic and applied agricultural research aimed at increasing farm productivity and income generation, through the acquisition of equipment, provision of technical

4. Carrying out strategic and applied agricultural research aimed at increasing farm productivity and income generation, through the acquisition of equipment, provision of technical advisory services, and training to selected research staff.

Part C: Improving the National Agricultural Extension System

1. Strengthening and decentralization of DNAMR extension services

- (a) strengthening DNAMR's extension management capacities in, inter alia:
  - (i) research and development methodology,
  - (ii) communication extension methods and agricultural technologies,
  - (iii) ex-post financial management and accounting control,
  - (iv) human resources management procedures,
  - (v) establishment and administration of a referential data bank on agricultural technology and results of on-farm research, and
  - (vi) overall extension program monitoring and evaluation through the provision of advisory services and training of selected staff in DNAMR; and
- (b) decentralization of extension services through the establishment of annually renewable contracts between DNAMR, regional and local APOs and VAs, through the rehabilitation of central and regional DNAMR offices, provision of technical advisory services, training and acquisition of equipment.

2. Testing of Contracting-out of Extension Services to Private Providers

Carrying out a pilot program for contracting private agricultural extension services at the communal level or at producer organization level, as the case may be, in five selected rural areas in the territory of the Borrower, through service delivery contracts between APOs and VAs and private extension service providers and the provision of training to selected staff in DNAMR.

3. Agricultural Support Services in Cotton Growing Areas

Provision of agricultural support services in cotton growing areas through service contracts between CMDT, cotton APOs and private agricultural support service providers.

Part D: Strengthening Agricultural Producer Organizations

1. Strengthening National Agricultural Associations, CRAs and Regional Agricultural Unions

Strengthening the administrative capacities of APCAM, ANOPA, CRAs and RAU to carry out their representation and advocacy functions, develop and promote agricultural policy propositions and efficiently negotiate with public and private partners, comprising:

- (a) establishment of ANOPA and RAU;
- (b) construction or rehabilitation of offices for APCAM, ANOPA, CRAs and selected RAU; and
- (c) design and implementation of appropriate monitoring and evaluation systems through the acquisition of equipments, provision of technical advisory services and training of selected staff in ANOPA, APCAM, CRAs and RAU.

2. Strengthening of Private Agricultural Advisory Services Providers

- (a) strengthening the administrative capacities of CPSPs through the creation of a national association of all such centers; and
- (b) strengthening the administrative capacities of selected privately operated agricultural service providers through the provision of technical advisory services, training in marketing, networking and administrative logistics and twinning arrangements with local, regional and international agricultural research institutes and universities.

3. Provision of Grants to APOs and VAs

Provision of Grants to APOs or VAs, as the case may be, for, inter alia, (a) training in institutional organization and administration; (b) carrying out communication programs; (c) technical advisory services in economic activities; and (d) functional literacy.

\* \* \*

The Project is expected to be completed by June 30, 2005.

**SCHEDULE 3**

**Procurement and Consultants' Services**

Section I      Procurement of Good and Works

Part A:      General

1. Works and goods 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

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 works shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,330,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 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 of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,540,000 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.

4. Subprojects

Goods and works required for the carrying out of Subprojects shall be procured in accordance with procedures in accordance with paragraph 3.15 of the Guidelines acceptable to the Association.

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 and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$200,000 or more, and, irrespective of their amount the first three contracts for works each, and with respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 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 Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (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

1. 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.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph The short list of

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits of a standard nature, estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for studies estimated to cost less than \$50,000 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.

3. Individual Consultants

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

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

1. Selection Planning

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

(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 the said approval shall have been given.

3. Post Review

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

## **SCHEDULE 4**

### **Implementation Program**

A. General

1. The Borrower shall carry out Part A of the Project through MDR/DAF and Part C of the Project through DNAMR/MDR, both under the coordination of CC, in accordance with procedures, guidelines, timetables and criteria set forth in the Project Operation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend, cancel or waive any provision thereof if, in the opinion of the Association, such amendment cancellation or waiver may materially and adversely affect the implementation of the Project.

B. Coordination and Management

2. The Borrower shall maintain policies and procedures adequate to enable it, through CC, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Operation Manual and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objective thereof.

3. The Borrower shall:

(a) until the Closing Date, maintain CC in a form and with functions, staffing and resources satisfactory to the Association, including the following staff with qualifications and experience, satisfactory to the Association, namely: (i) the Project Coordinator, and (ii) a deputy Project Coordinator, in charge, inter alia, of monitoring and evaluation of Project implementation. The Project Coordinator shall be responsible for furnishing to the COP and the Association, for review and comment, the Project progress reports; and

(b) until the Closing Date, maintain DAF in a form and with functions, staffing and resources satisfactory to the Association, including the following staff with qualifications and experience, satisfactory to the Association, namely: (i) a specialist in charge of financial management and accounting, and (ii) a procurement specialist.

4. The Borrower shall maintain, until the Closing Date, the COP in a form and with functions, members and resources satisfactory to the Association.

C. Annual Reviews and Mid-Term Review

5. The Borrower shall:

(a) Prepare, through CC, under terms of reference satisfactory to the Association, and furnish annually to the COP and the Association, for review and comments, until the receipt by the Association of the Project Management Reports referred to in Section 4.02 (b) of this Agreement, a report integrating the results of the monitoring and evaluation activities, with particular emphasis on respect of environmental safeguard policies, performed pursuant to paragraph 2 of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve month period following such date (Annual Review). The first such report shall be furnished to the Association no later than December 31, 2002 or such later date as the Borrower and the Association shall determine.

(b) Furnish to the Association, within four weeks after the submission of the report referred to in the preceding subparagraph, the comments of the COP thereon.

(c) Review with the Association, within four weeks following the submission of the comments referred to in subparagraph (b) of this paragraph, said comments and the report referred to in subparagraph (a) 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 views of the COP and the Association on the reports.

6. The Borrower shall:

(a) By June 30, 2004, or such other date as the Association shall agree upon, carry out jointly with the COP and the Association, a mid-term review assessing the implementation of the operations under the Project (Mid-Term Review). The Borrower shall invite CNRA and APCAM to participate, and take all actions it considers necessary to ensure the participation of representatives of APOs, VAs and civil society in such Mid-Term Review. Such Mid-Term Review shall cover the progress achieved in the implementation of the Project and, more specifically reflect on: (i) the replicability of activities under Part C.2 throughout the territory of the Borrower; (ii) the performance of CNRA, DNAMR and APCAM and APOs under the Project; and (iii) the effectiveness of Subprojects.

(b) No later than one month prior to the Mid-Term Review, through CC, furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including the comments of the COP if any, on said report, on the implementation of the Project.

(c) Following such Mid-Term Review, act promptly and diligently to take any corrective action as shall be recommended by the COP and the Association, to attain the objectives of the Project.

D. Specific Actions

7. The Borrower shall:

(a) No later than twelve months after the Effectiveness Date, or such later date as



(a) No later than twelve months after the Effectiveness Date, or such later date as the Borrower and the Association shall determine, have:

- (i) established the *National Committee for Food Safety*, the *National Epidemiology Surveillance Network* and the *National Pest Management Committee*; and strengthened them pursuant to Part A.2 (b) (i) of the Project;
- (ii) furnished to the Association for its approval the rural training, IEC, AIDS prevention and disaster relief program pursuant to Part A.4 of the Project;
- (iii) established ISMIS pursuant to Part A.2 (c) of the Project and furnished to the Association, for its review and comment, a report reflecting on the strengthening of MDR's policy and regulatory function to centrally collect, analyze and archive information on sector performance and disseminate said information to selected decision-makers in the Borrower's administration and selected producer organizations due to ISMIS' activity; and
- (iv) approved the new organizational structure and respective functions for MDR pursuant to Part A, paragraphs 1 and 2 of the Project.

(b) No later than one month prior to the Mid-Term Review referred to in paragraph 6 above, or such later date as the Borrower and the Association shall furnish to the Association, for its review and comments, through DNAMR: an assessment of: (A) the activities provided for under Part C.1 (a) and (b) of the Project indicating the result of improved quality of extension programs to agricultural small-farm producers and agribusiness, and (B) the pilot program provided for under Part C.2 of the Project.

8. Terms and Conditions for Subproject Grant Agreements and Beneficiary Grant Agreements under Parts B.3 or D.3 of the Project:

Subprojects shall not be financed out of the proceeds of the Credit unless CNRA or APCAM, as the case may be, has entered into an agreement with an APO or VA, as the case may be, in form and substance satisfactory to the Association for the provision, on a grant basis, of financing of a Subproject in favor of a Beneficiary.

9. CNRA or APCAM shall exercise their rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project and the Subproject, and, except as the Association shall otherwise agree, CNRA or APCAM shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any part thereof.

10. Grants shall be made in accordance with Subproject Grant Agreements satisfactory to the Associations and subject to eligibility criteria and terms of reference satisfactory to the Association and in accordance with the POM and, *mutates mutandis*, the provisions set forth in paragraph 11 of this Schedule.

11. The proceeds of the Credit under Part B.3 of the Project shall be made available only

11. The proceeds of the Credit under Part B.3 of the Project shall be made available only subject to a Beneficiary Grant Agreement, entered into between an APO or VA, as the case may be, and a Beneficiary in form and substance satisfactory to the Association and in accordance with the provisions set forth in the POM and the following provisions of this Schedule:

(a) the amount of the proposed Grant and the Beneficiary's contribution to the costs of the Subproject should adequately cover the total amount required for the carrying out of the Subproject, and the Beneficiary's contribution should be no less than 25% of Subproject cost;

(b) the Beneficiary Grant Agreement shall require the Beneficiary to carry out and maintain the Subproject in accordance with the POM, as applicable, with due diligence and efficiency and in accordance with appropriate technical, environmental, and financial criteria, maintain adequate records in such form and detail as the Borrower may reasonably request, procure the goods to be financed out of the proceeds of the Grant according to the provisions of Section I of Schedule 3 to the Development Credit Agreement and use such goods exclusively for the carrying out of the Subproject;

(c) the Beneficiary Grant Agreement shall provide for the exercise by the Borrower or the Association (if the Association shall so request) of the right to inspect the sites relevant to the Subproject, and any relevant documents;

(d) the Beneficiary Grant Agreement shall: (A) provide for the exercise by the Borrower of the remedies in the Beneficiary Grant Agreement relating to the carrying out or the maintenance of the Subproject, should such carrying out or maintenance not conform to the regulations set forth in the Project Implementation Manual and the Subsidiary Grant Agreement and thereby unfavorably influence the economic return of the Subproject; and (B) require the Beneficiary to provide the Borrower or the Association with all such information as the Borrower or the Association shall reasonably request, relating to the administration and financial condition of the Subproject; and

(e) the APO or VA shall exercise its rights under the Beneficiary Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the APO or VA shall not assign, amend, abrogate or waive the Beneficiary Grant Agreement or any part thereof.

## **SCHEDULE 5**

### **Performance Indicators**

1. The Borrower has:

(a) reorganized MDR's institutional functions and staff deployment pursuant to Part A.2 of the Project, and

(b) divested to the private sector the MDR activities set forth in Part A.1 of this Agreement, in form and substance acceptable to the Association.

2. CNRA, IER and LCV function satisfactorily according to their reformed statutes over a period of at least one business year, certified by an independent management audit.

3. Grants under Parts B.3 and D.3 of the Project have been disbursed during year two of the Project in accordance with a schedule previously agreed upon between the Borrower and the Association.

4. Extension programs and budgets are established on a regional basis with producer participation pursuant to Part B.2 (b) of the Project.

5. Agricultural advisory services in the cotton growing areas are managed by the cotton producers.

