

CONFORMED COPY

CREDIT NUMBER 3270 RW

Development Credit Agreement

(Agricultural and Rural Market Development Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 16, 1999

CREDIT NUMBER 3270 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 16, 1999, between the RWANDESE REPUBLIC (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) Part A.1 of the Project will be carried out by Banque Nationale du Rwanda (BNR) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the BNR part of the proceeds of the Credit as provided 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 Project Agreement of even date herewith between the Association and BNR;

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 December 2, 1997) (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary" means a Commune (as hereinafter defined) or a Rural Community-Based Group (as hereinafter defined) to which or for whose benefit a Grant (as hereinafter defined) is made or proposed to be made;

(b) "BNR" or "Banque Nationale du Rwanda" means the Borrower's Central Bank, established and operating pursuant to the Borrower's Law of April 24, 1964, as amended to the date of this Agreement ("BNR Statutes");

(c) "Commune" means a legal entity of the Borrower, established pursuant to the Law of November 23, 1963, as amended to the date of this Agreement, on Communal Organization, to exercise limited jurisdiction over a designated area within the territory of the Borrower;

(d) "DPM" means the Directorate of Monetary Policy of BNR;

(e) "Eligible Categories" means, in respect of the Special Account (as hereinafter defined) for Part A.1 of the Project, Category 3 set forth in the table in Part A.1 of Schedule 1 to this Agreement, and in respect of the Special Account for the Project, other than Part A.1 thereof, Categories 1, 2, 4, 5 and 6 set forth in the table in Paragraph A.1 of Schedule 1 to this Agreement;

(f) "Eligible Expenditures" means, in respect of the Special Account (as hereinafter defined) for Part A.1 of the Project, the expenditures for goods and services referred to in Section 2.02 (a) (i) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's Eligible Category; and in respect of the Special Account for the Project other than Part A.1 thereof, the expenditures for goods and services referred to in Section 2.02 (a) (ii) and (iii) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories;

(g) "First Project Year" means the period of twelve (12) months following the Effective Date;

(h) "Franc Rwandais" and "RF" mean the currency of the Borrower;

(i) "Grant Agreement" means an agreement between the Borrower, represented by TSU, and a Beneficiary setting forth the terms and conditions under which the proceeds of the Credit shall be made available to such Beneficiary or a Partner Agency for the purpose of financing a Sub-project (as hereinafter defined);

(j) "Grant" means a grant made or proposed to be made by the Borrower, through TSU (as hereinafter defined), to a Beneficiary, for the purpose of financing Subprojects (as hereinafter defined) under Part A.5 or B.2 a) of the Project;

(k) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;

(l) "ICIF Account" means an account opened in the books of BNR in the name of the Borrower where the amounts referred to in subparagraph 3.01 (c) (iii) of this Agreement will be deposited;

(m) "ICIF" means the Input Credit Insurance Facility to be made available by the Borrower to farmers pursuant to subparagraph II.2 of Schedule 4 to this Agreement;

(n) "Import Trading Enterprise" means an enterprise which meets the eligibility criteria specified in paragraph 2 of Schedule 2 to the Project Agreement and to which a PFI proposes to make or has made a Subloan;

(o) "Import Trading Project" means a import operation for modern farm input to be carried out by an Import Trading Enterprise utilizing the proceeds of a Subloan;

(p) "MINAGRI" means the Ministry of Agriculture, Animal Resources, and Forestry of the Borrower;

(q) "Participating Agreement" means any agreement entered into by BNR and a PFI pursuant to Section 3.01 (c ) (i) of this Agreement, whereby BNR will relend funds to said PFI for Subloans;

(r) "Partner Agency" means a non-governmental or other public or private entity established and operating under the laws of the Borrower, selected in accordance with the criteria specified in paragraph I.4 of Schedule 4 to this Agreement, to assist TSU (as hereinafter defined) in the implementation of the Project or Beneficiaries in the preparation or implementation of Sub-projects (as hereinafter defined) under Part A.5 or B.2 (a) of the Project;

(s) "PFI" or "Participating Financial Intermediary" means any development bank, commercial bank or financial institution registered in the territory of the Borrower as may be designated by BNR on the basis of the eligibility criteria specified in paragraph II of Schedule 1 to the Project Agreement, and with which BNR shall have entered into a Participating Agreement;

(t) "Project Account" means either or both the accounts referred to in Section 3.04 of this Agreement; "Project Agreement" means the agreement between the Association and BNR of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(u) "Project Implementation Manual" means the manual referred in Section 6.01 (c) of this Agreement and comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project;

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

(w) "Rural Community-Based Group" means: (i) any group of two or more traders or farmers residing in a rural commune that organizes itself for the purpose of submitting and implementing a Sub-project (as hereinafter defined) under Part B.2 (a) of the Project; or (ii) any group of two or more farmers residing in a rural commune that organizes itself for the purpose of submitting and implementing a Sub-project (as hereinafter defined) under Part A.5 of the Project;

(x) "Second Project Year" means the period of twelve (12) months following the end of the First Project Year;

(y) "Special Account" means either or both the accounts referred to in Part B of Schedule 1 to this Agreement;

(z) "Subloan" means a loan or credit made or proposed to be made by a PFI to an Import Trading Enterprise for an Import Trading Project out of the proceeds of the Credit;

(aa) "Sub-project" means: (i) a rural agricultural market infrastructure improvement activity proposed by a Commune or a Rural Community-Based Group, within the scope defined in Part B.2 (a) of the Project and financed or to be financed out of the proceeds of the Credit through a Grant extended under Part B.2 (a) of the Project; or (ii) a farmer cooperative lending activity proposed by a Rural Community Group, within the scope defined in Part A.5 of the Project and financed or to be financed out of the proceeds of the Credit through a Grant extended under Part A.5 of the Project;

(bb) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BNR pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(cc) "Third Project Year" means the period of twelve (12) months following the

end of the Second Project Year"; and

(dd) "TSU" means the Technical Support Unit established within MINAGRI for the purposes of management, coordination and monitoring of the Project in accordance with subparagraphs I.1, I.2, I.3, and I.4 of Schedule 4 to this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made by an Import Trading Enterprise under a Subloan to meet the reasonable cost of goods and services required for the Import Trading Project in respect of which the withdrawal from the Credit Account is requested; (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 Agreement to meet the reasonable cost of goods, works and services required for Sub-projects to be financed under Parts A.5 or B.2 (a) of the Project, and in respect of which the withdrawal from the Credit Account is requested; and (iii) 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, other than Parts A.1, A.5 and B.2 (a), and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2003 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 May 1 and November 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 semi-annual installments payable on each May 1 and November 1, commencing November 1, 2009 and ending May 1, 2039. Each installment to and including the installment payable on May 1, 2019 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 United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. BNR is designated as representative of the Borrower in respect of Part A.1 of the Project for purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a) (i) of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Description of the Project Use of the Proceeds of the Credit

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:

(i) shall carry out Parts A (other than Part A.1 thereof), B and C of the Project through MINAGRI, with due diligence and efficiency and in conformity with appropriate financial, environmental, technical, and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project and, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement;

(ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause BNR to perform all its obligations set forth in the Project Agreement, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BNR to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 (other than Part A.1 thereof), B and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) For the purposes of Part A.1 of the Project, the Borrower shall relend the proceeds of the Credit allocated from time to time to Category 3 of the table in paragraph 1 of Schedule 1 to this Agreement to BNR under a subsidiary loan agreement to be entered into between the Borrower and BNR (the Subsidiary Loan Agreement) under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(i) an undertaking by BNR to make loans to PFIs under Participating Agreements to be entered into with each PFI for financing Import Trading Projects under Part A.1 of the Project, under the terms and conditions specified in Schedule 1 to the Project Agreement;

(ii) an undertaking by BNR that the proceeds of the Credit shall be relent to each PFI at a variable interest rate equal to: aa) the lower of the weighted twelve-month average of the applicable money market rate over the preceding calendar year, or the average inflation rate over the preceding calendar year plus a commission not to exceed one percent (1%); or bb) such other reference rate as may be determined by agreement between the Borrower and BNR and satisfactory to the Association;

(iii) an undertaking by BNR to collect and deposit in the ICIF Account, for the benefit of the Borrower, all payments of interest and repayment of principal from PFIs under Subloan agreements after retaining an amount not exceeding one percent (1%) of the outstanding principal from the interest paid by PFIs or such other amount as may be determined from time to time by agreement between the Borrower and the Association; and

(iv) an undertaking by the Borrower to bear the foreign exchange risk.

(d) For the purposes of Part A.1 of the Project, the Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

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

1. for purposes of Part A.2 of the Project, open a Project Account (Project Account A) at BNR on terms and conditions satisfactory to the Association:

(a) promptly thereafter, make an initial deposit into Project Account A, in an amount equivalent to \$100,000 to finance the Borrower's initial contribution to the

ICIF; and

(b) use the funds deposited in Project Account A exclusively to finance expenditures under Part A.2 of the Project;

2. for the purposes of the Project other than Parts A.1 and A.2 thereof, open and maintain a Project Account (Project Account B) at BNR on terms and conditions satisfactory to the Association:

(a) make an initial deposit into such account, in an amount equivalent to \$50,000, to finance the Borrower's contribution to the Project (other than Parts A.1 and 2 thereof);

(b) thereafter make the following deposits into Project Account B as follows: (i) an amount equivalent to \$33,100 no later than six months after the beginning of the First Project Year; (ii) an amount equivalent to \$90,300 no later than one month after the beginning of the Second Project Year; and (iii) an amount equivalent to \$98,200 no later than one month after the beginning of the Third Project Year; and

(c) use the funds deposited in Project Account B exclusively to finance expenditures under the Project (other than Parts A.1 and A.2 thereof).

#### 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 Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; and

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested.

(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) 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; and

(ii) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than eighteen (18) months after the Effective Date, or such later date as the Association shall agree, to prepare

quarterly Project Management Reports, acceptable to the Association, each of which:

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

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

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

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

#### 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) BNR shall have failed to perform any of its obligations under the Project Agreement;

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that BNR will be able to perform its obligations under the Project Agreement;

(c) BNR Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BNR to perform any of its obligations under the Project Agreement; and

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BNR or for the suspension of its operations.

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

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) or (d) 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 Accounts and deposited therein the initial amounts referred to in Section 3.04 of this Agreement;

(b) the Borrower has established TSU and appointed thereto staff having qualifications and experience satisfactory to the Association, in accordance with subparagraph I.1 of Schedule 4 to this Agreement;

(c) the Borrower has adopted the Project Implementation Manual, in form and substance satisfactory to the Association;

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

(e) the Borrower has issued ministerial instructions, satisfactory to the Association, setting forth an appropriate regulatory framework for free distribution of modern farm inputs, including limiting such distribution to emergency reintegration and poverty alleviation programs;

(f) the Borrower has established an adequate financial management system, satisfactory to the Association, to ensure proper monitoring and execution of Project activities; and

(g) The Borrower has appointed an auditor with qualifications and experience satisfactory to the Association, in accordance with the provisions of Section 2 of Schedule 3 to this Agreement.

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 Project Agreement has been duly authorized or ratified by BNR, and is legally binding upon BNR in accordance with its terms; and

(b) the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and BNR, and is legally binding upon the Borrower and BNR in accordance with its terms.

Section 6.03. The date sixty (60) 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 of the Borrower at the time responsible for finance and planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance and Economic Planning  
P.O. Box 158  
Kigali  
Rwandese Republic

Cable address:

Telex:

22687MINFIN-RW

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:

248423 (MCI) or  
64145 (MCI)

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

RWANDESE REPUBLIC

By /s/ Eugene S. Kayihura

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Equipment	130,000	100% of foreign expenditures and 85% of local expenditures
(2) Consultants' services and Audits	1,015,000	100%
(3) Subloans under Part A.1 of the Project	1,495,000	100% of amounts disbursed
(4) Incremental operating costs	45,000	75% during the First Project Year; and 40% during the Second Project Year
(5) Training	260,000	100%
(6) Grants		100% of amounts disbursed
(a) under Part A.5 of the Project	255,000	
(b) under Part B.2(a)	470,000	

	of the Project	
(7)	Unallocated	160,000
	TOTAL	3,800,000

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, office space rental and utilities, special account banking charges, communications, vehicle operation, maintenance and insurance, travel and supervision costs but excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of a Subloan unless the Subloan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to the Project Agreement;

(b) in respect of a Grant under Part B.2(a) unless the Grant has been made in accordance with the eligibility criteria and terms and conditions set forth or referred to in Paragraph III of Schedule 4 to this Agreement and in more detail in the Project Implementation Manual;

(c) in respect of a Grant under Part A.5, until the Borrower has adopted an adequate framework, satisfactory to the Association, including a manual of procedures, establishing the criteria, procedures, guidelines and standards contracts for the provision of Grants under Part A.5; and unless such Grant has been made in accordance with the eligibility criteria and terms and conditions set forth in such manual of procedures; and

(d) 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 expenditures for (i) goods under contracts costing less than \$50,000 equivalent each; (ii) consultants' services (firms and Partner Agencies) under contracts not exceeding \$50,000 equivalent; (iii) consultants' services (individuals) under contracts not exceeding \$30,000 equivalent; (iv) expenditures for Sub-projects, under contracts not exceeding \$30,000; and (v) Import Trading Projects, all under such terms and conditions as the Association shall specify by notice to the Borrower.

#### B. Special Accounts

1. The Borrower shall open and maintain in US dollars two separate special deposit accounts, Special Account A for Part A.1 of the Project and Special Account B for Parts A (other than A.1 thereof), B and C of the Project, in its Central Bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Accounts 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 each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any 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 any 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 any 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 Accounts 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 any 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 said 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 any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in any 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 a 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 the Credit Agreement.

#### Annex A to SCHEDULE 1

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

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: (i) in respect of Special Account A, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Category, plus 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 amounts allocated to said Category, shall equal or exceed the equivalent of SDR 500,000; and (ii) in respect of Special Account B, an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$100,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's 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 in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 500,000.

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

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

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's 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 said Special Account's Eligible Category or 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 Category or Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Category or 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 Eligible Expenditures.

#### Annex B to SCHEDULE 1

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

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective 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 said Special Account's

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 the equivalent of \$450,000 in respect of Special Account A and \$300,000 in respect of Special Account B.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's efforts to revitalize the agricultural and rural economy within its territory through the identification and testing of alternative policies, incentive systems and institutional mechanisms to promote an efficient, private-sector based, local agricultural input distribution and output marketing system with the view to raising modern input use among small-holder farmers and the level of productivity and income in rural areas.

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: Promotion of Input Use and Distribution System

1. Improving farmer access to seasonal credit for modern farm input, including fertilizers, agro-chemicals, certified seeds, and livestock supplies through the opening of a line of credit to be made available by BNR to PFIs for the purpose of providing financing to private importers of modern inputs in order to facilitate extension by the latter of input sales credit to farmers.

2. Support of lending activities to farmers through the establishment and operation of a lending facility (the Input Credit Insurance Facility (ICIF)) with funding to be made available to farmers to repay shorter term seasonal credits in case of emergency production shortfalls due to climate conditions or similar natural causes.

3. Improving and promoting the use of modern farm input by farmers through the provision of technical advisory services and training to increase their technical knowledge of such input and the use and management of credit for such input.

4. Promoting the multiplication and distribution of improved seeds through the provision of technical advisory services and training to farmers.

5. Promote farmer cooperative lending activities through the provision of Grants to farmers' groups for the establishment of revolving credit funds to finance the acquisition of modern farm input.

Part B: Support to Local Agricultural Marketing Systems

1. Improving crop conservation, processing and marketing techniques among small-holder farmers through the development, testing and dissemination of new techniques and the provision of training to farmers.

2. Strengthening of rural agricultural marketing poles through the provision of: (a) Grants to Beneficiaries for the implementation of Sub-projects designed to improve basic market infrastructure; and (b) technical advisory services and training to Rural Community-Based Groups to strengthen their capacity to manage rural marketing sites.

3. Support to private traders' investment in marketing services through the

provision of technical advisory services and training to traders and producer groups to facilitate their access to, and management of, credit from local banks for investment in infrastructure and equipment for storage, processing, transport and marketing of agricultural products.

Part C: Technical Support, Monitoring and Evaluation

1. Management, supervision and coordination of project activities through acquisition of equipment, vehicles, materials and supplies for TSU.
2. Monitoring and evaluation of project activities through the carrying out of: (i) updates of baseline surveys and other studies to closely monitor and evaluate the Project's output and outcome; and (ii) audits of the Project.

\* \* \*

The Project is expected to be completed by December 31, 2002.

### SCHEDULE 3

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$170,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works under Part B.2 (a) of the Project estimated to cost more than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$776,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$220,000 for the entire duration of the Project may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Vehicles, computers, and office equipment estimated to cost more than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$170,000 may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Small works required under Part B.2 (a) of the Project, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$240,000 equivalent may be procured under lump-sum, fixed-price contracts awarded in accordance with the provisions of paragraph 3.15 of the Guidelines. The bidding documents shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project (other than Part A.1 thereof) 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 \$30,000 or more, or for goods estimated to cost the equivalent of \$50,000 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

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

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 consultants for training and technical support to farmers and Rural Community-Based Groups under Parts A and B of the Project, estimated to cost less than \$50,000 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 auditing under Part C of the Project and for the design of marketing poles under Part B.2 of the Project 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

Technical advisory services to producer groups for multiplication and distribution of improved seeds under Part A of the Project and for crop conservation and management of local agricultural marketing poles under Part B of the Project 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 studies and surveys under Part C of the Project 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 \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

#### 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

#### I. Overall Project Implementation

1. The Borrower shall: (i) establish and maintain within MINAGRI, during the implementation of the Project, a TSU which shall be responsible for the day-to-day management of the Project other than Part A.1 thereof; and (ii) at all times maintain within TSU, staff with qualifications and terms of reference acceptable to the Association, including a coordinator, an administrative and financial management specialist, and an extension/ monitoring and evaluation specialist.

2. TSU shall be responsible for: (a) coordinating individual Project activities; (b) contracting and supervising the execution of contracts between the Project, Beneficiaries and Partner Agencies; (c) preparing the project annual work program, annual budgets, accounts and financial statements, progress reports, disbursements applications and procurement plans and execution; (d) monitoring and evaluation of Project output and outcome, including reporting to the Borrower and the Association on the project's progress and the lessons learned; (e) making disbursements of Grants to Beneficiaries and maintaining adequate financial records with respect to Grants financed by the proceeds of the Credit; and (f) the provision of technical advisory

services to farmers and traders through subcontracting to qualified Partner Agencies.

3. TSU would operate under the tutelage of MINAGRI's Directorate of Extension and Marketing in accordance with the criteria and procedures defined in the Project Implementation Manual.

4. TSU may contract Partner Agencies to assist Beneficiaries in the preparation of Sub-projects or TSU in the provision of technical advisory services, training or other services relating to the Project. To that end, TSU shall advertise publicly and request expressions of interest from potential Partner Agencies. Partner Agencies shall be required to: (i) have proven experience and technical expertise in the activities for which their services are being sought by TSU; (ii) have adequate financial and administrative capacity; (iii) be registered and have the legal capacity to contract under the laws of the Borrower; and (iv) meet such other criteria as shall be specified in the Project Implementation Manual.

5. Except as the Association shall otherwise agree, the Borrower shall: (i) apply the criteria, policies, procedures, guidelines and standard contracts set out in the Project Implementation Manual in the carrying out of the Project; and (ii) not amend or waive the Project Implementation Manual, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect the implementation of the Project.

6. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Association the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October of each year for the annual reviews, February 28, 2001 with respect to the mid-term review, a progress report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the various components of the Project during the period preceding the date of said report based on the work plan for the period under review and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by November of each year for the annual reviews and April 30, 2001 with respect to the mid-term review, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

II. Part A of the Project

1. The Borrower shall cause BNR to carry out Part A.1 of the Project in accordance with the provisions of this Agreement and the Project Agreement.

2. The Borrower shall, by October 31, 1999 adopt specific rules, satisfactory to the Association setting forth the operating rules of the ICIF, which shall be consistent with the principles set forth in subparagraph II.3 of this Agreement and the Project Implementation Manual. TSU shall administer ICIF funds and make them available to farmers in accordance with such operating rules.

3. Criteria for access to the ICIF:

a) To be eligible for an ICIF loan, a farmer must provide appropriate evidence that he/she: (i) has sought and obtained, with the agreement of TSU or a Partner Agency designated by TSU, an input credit from a trader or a bank; (ii) has faced drought or weather-induced production shortfall in the same season for which such input credit was received; and (iii) is registered with Partner Agencies and

conducts his/her farming activities with the support and under the supervision of such Partner Agencies.

b) Operation and Procedures of the ICIF

(i) Activation. ICIF funds may not be available for any given year unless and until a determination has been made by TSU, in consultation with the Association, that activation of the facility has become necessary because of an emergency situation due to natural causes which has resulted in major agricultural production shortfalls and there is a likelihood of large defaults by farmers on the short term input credits referred to in the preceding subparagraph;

(ii) TSU shall evaluate each application for financing under the ICIF in accordance with the criteria specified in the Project Implementation Manual. If necessary, TSU may contract the services of Partner Agencies to assist in the evaluation of applications. If an application is approved, TSU shall take the necessary steps, consistent with the Project Implementation Manual, to ensure that payments are made to traders or banks which extended short-term input credit to the recipient of the ICIF funds.

III. Part B. 2 (a) of the Project

1. Eligibility Criteria and Other Conditions for Sub-projects

(a) No Subproject shall be eligible for financing out of the proceeds of the Credit unless TSU shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria for such Subprojects, which shall include the following: (i) the Subproject shall be located in a major trading zone or an area that has a clear potential to become a major trading zone; (ii) potential Beneficiaries have a demonstrated capacity to participate in infrastructure improvement projects; and (iii) there are adequate guaranties that, following completion of the Sub-project, the market site that would have benefited from the infrastructure improvements would be open on a daily basis.

(b) the Subproject may be initiated either by a Commune, with the agreement of local producers' or traders' associations or by a Rural Community-Based Group;

(c) the Subproject shall be economically, financially and technically viable in accordance with the standards specified in the Project Implementation Manual;

(d) the Beneficiary shall provide no less than 10% of the estimated costs of the Subproject in the form of cash, materials, labor or other services; and

(e) the Subproject shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety and environmental protection.

2. Terms and Conditions of Grants for Subprojects

In financing Subprojects, the TSU shall enter into a Grant Agreement with the Beneficiary, under terms and conditions which shall include the following:

(a) financing to be on a grant basis and, unless otherwise agreed with the Association, not to exceed the equivalent of \$35,000 per Grant;

(b) the obligation to carry out the Subproject in accordance with the Project Implementation Manual, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures

set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of TSU to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of TSU to obtain all information as TSU or the Association shall reasonably request regarding the administration, operation and financial conditions of the Subproject;

(f) the right of the TSU to suspend or terminate the right of a Beneficiary to use the proceeds of the Credit for the Subproject upon the failure by the such Beneficiary to perform any of its obligations under the Grant Agreement; and

(g) the rights and obligations of the Partner Agency which will execute the Subproject on behalf of the Beneficiary.

#### IV. Part C of the Project

The Borrower shall implement the Project in accordance with the timetable and specifications described in the Project Implementation Manual.

