

CONFORMED COPY

CREDIT NUMBER 3286-ZIM

Development Credit Agreement

(Land Reform Support Project)

between

REPUBLIC OF ZIMBABWE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 15, 1999

CREDIT NUMBER 3286-ZIM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 15, 1999, between REPUBLIC OF ZIMBABWE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through 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 and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

- (a) "Land Acquisition Fund" means the fund referred to in Part A of the Project;
- (b) "Project Operational Manual" means the Operational Manual referred to in Part D.1 of Schedule 4 of this Agreement;
- (c) "RDC" means a Rural District Council established and operating under the Borrower's Rural District Councils Act of 1988;
- (d) "PFI" means the financial institution referred to in Part B.1 of Schedule 4 to this Agreement;
- (e) "PFI Account" means the account to be opened pursuant to Part B.1 of Schedule 4 to this Agreement;
- (f) "IMCRD" means the Borrower's Inter-Ministerial Committee on Resettlement and Rural Development;
- (g) "Project Executing Agencies" means the Beneficiary Communities, the RDCs, the PFI, IMCRD and the Technical Support Unit;
- (h) "Beneficiary Community" means a rural-based community or community group which, having met the eligibility criteria set out in the Project Operational Manual, is eligible to receive a Grant;
- (i) "Grant" means a grant made, or proposed to be made, to a Beneficiary Community out of the proceeds of the Credit to finance a Subproject;
- (j) "RDC Participation Agreement" means the agreement to be entered into between the Borrower and an RDC pursuant to Part B.2 of Schedule 4 to this Agreement;
- (k) "Subproject" means a specific investment activity financed, or proposed to be financed, under the Project through a Grant, being an activity which meets the criteria set forth in the Project Operational Manual;
- (l) "Subproject Agreement" means an agreement to be entered into between an RDC and a Beneficiary Community or, as the case may be, the Borrower and a Beneficiary Community pursuant to Part B.3 of Schedule 4 to this Agreement;
- (m) "Technical Support Unit" means the Technical Support Unit to be established pursuant to Part A.1 (a) of Schedule 4 to this Agreement;
- (n) "Land Reform Programme" means the Borrower's Land Reform and Resettlement Programme (Phase II) adopted in September 1998;
- (o) "Inception Phase" means the Borrower's Inception Phase Framework Plan adopted on April 15, 1999; and
- (p) "Special Account" means the account referred to in Section 2.02 (b) of 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 seven hundred thousand Special Drawing Rights (SDR 3,700,000).

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 goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; 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 Community to meet the reasonable cost of works, goods and services required for a Subproject in respect of which withdrawals from the Credit Account are requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 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 semiannual installments payable on each May 1 and November 1, commencing November 1, 2009 and ending May 1, 2034. Each installment to, and including the installment payable on, May 1, 2019 shall be one and one-fourth percent (1¼%) of such principal amount, and each installment thereafter shall be two and one-half percent (2½%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall, through the Project Executing Agencies, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and land reform practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of Section 9.07 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.

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, the report

of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

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

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 limitations 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 system for the Project in order to enable the Borrower, not later than June 30, 2000 or such later date as the Association shall agree, to prepare quarterly Project management reports acceptable to the Association. Each such report shall:

(i) set forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the Project for the six-month period following the period covered by said report, and show separately expenditures financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

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

(iii) set 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 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

### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established the Land Acquisition Fund and deposited therein an initial amount of \$750,000 equivalent;

(b) the Borrower has established the Technical Support Unit with financial management and accounting systems (including a management and information system) satisfactory to the Association;

(c) the PFI Account has been opened;

(d) the RDC Participation Agreements have been duly executed by the Borrower and at least three RDCs;

(e) the Project Operational Manual has been formally approved by the Borrower; and

(f) the Borrower's Ministry of Mines, the Environment and Tourism has approved the Environmental Analysis prepared for the Project.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Senior Secretary  
Ministry of Finance  
Private Bag 7705  
Causeway  
Harare, Zimbabwe

Cable address:

MINFIN  
Harare

Telex:

22141 ZW  
Zimbabwe

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.

REPUBLIC OF ZIMBABWE

By /s/ Simbi Mubako

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Grants	2,950,000	100% of amounts disbursed
(2) Consultants' services, studies and training	330,000	100%
(3) Operating costs	220,000	100%
(4) Unallocated	200,000	
TOTAL	<hr/> 3,700,000	

2. For the purposes of this Schedule, the term "operating costs" means incremental expenditures incurred by the Project Executing Agencies in carrying out their respective activities under the Project, such as land title verification, environmental analyses of Subprojects and the cost of office equipment, but excluding the salaries and emoluments of the Borrower's civil servants.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 150,000, may be made in respect of Categories (2) and (3) on account of payments made for expenditures before that date but after March 1, 1999; and

(b) payments under Category (1) above unless the respective Subproject Agreement shall have been entered into between the RDC or, as the case may be, the Borrower and the Beneficiary Community for which the Grant has been approved.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for (a) all works and goods; (b) services of consulting firms costing less than the equivalent \$100,000; and (c) services of individual consultants costing less than the equivalent of \$50,000, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

## Description of the Project

The objectives of the Project are to assist the Borrower in (i) carrying out the Inception Phase of the Land Reform Programme; (ii) reducing rural poverty in the territory of the Borrower; and (iii) increasing agricultural productivity in the said territory.

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: Land Acquisition Fund

Establishment of a land acquisition fund to be funded by the Borrower and utilized to finance land acquisition by the Beneficiary Communities.

### Part B: Community Subprojects

1. Provision of Grants to Beneficiary Communities to finance settlement costs and on-land investments on farms acquired directly by the Beneficiary Communities.
2. Provision of Grants to Beneficiary Communities to finance settlement costs and community Subprojects on farms acquired by the Borrower, nongovernmental organizations or other private sector entities and transferred to the Beneficiary Communities.
3. The provision of technical advisory services to support the activities required under this Part of the Project.

### Part C: Building Institutional Capacity

1. Building institutional capacity for the Inception Phase of the Land Reform Programme, including:

(a) the strengthening of the Technical Support Unit, the RDCs and associations of the Beneficiary Communities;

(b) the provision to Beneficiary Communities and RDCs of mobilization assistance, including (i) workshops to determine priority needs of the Beneficiary Communities, (ii) training of community groups in organization skills, and (iii) the provision of technical advisory services, including assistance in the preparation of community Subproject proposals;

(c) the provision of specialized skills training in areas such as monitoring techniques, financial administration, and specific technical topics relating to community Subprojects;

(d) publicity campaigns, including the printing of materials, radio programs, and workshops; and

(e) the provision of technical advisory services for the Technical Support Unit, the RDCs, and the Beneficiary Communities.

2. Administration, supervision, and monitoring of Project activities, including field supervision and monitoring and overall coordination of Project activities by the Technical Support Unit and the RDCs.

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The Project is expected to be completed by June 30, 2001.

## 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 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), subject to (a) the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the following Parts of this Section I.

Part B: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$100,000 equivalent or more per contract 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 \$50,000 equivalent or more per contract 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. Community Participation

Goods and works included in a Subproject estimated to cost not more than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$3,400,000 equivalent, shall be procured in accordance with procedures acceptable to the Association.

4. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: 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 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

(a) With respect to each contract for works or 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.

(b) With respect to each contract for small works and goods required for Subprojects and costing \$50,000 equivalent or more, the following procedures shall apply:

(i) prior to the selection of any supplier or execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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 (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to (a) 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.

### 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 shortlist of consultants to provide services 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. Single Source Selection

Services for technical advisory services estimated to cost less than \$50,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 2. Community Participation

Services required to assist Beneficiary Communities in carrying out Subprojects may be procured in accordance with procedures acceptable to the Borrower and the Association specified in the Project Operational Manual.

#### 3. Individual Consultants

Services for technical advisory services estimated to cost less than \$50,000, being services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (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 \$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

Part A: Appraisal and Approval of Land Acquisition and Subprojects

1. The Borrower shall (a) establish a Technical Support Unit in a form and with functions satisfactory to the Association; and (b) assign to the Technical Support Unit staff, acceptable to the Association, including (i) a Project manager, (ii) a financial analyst, and (iii) such other staff as shall be listed in the Project Operational Manual.

2. The Technical Support Unit through IMCRD shall be responsible for (a) the overall management and supervision of the Project, including (i) the approval of the annual operating plans for the Project and the respective resource allocations to each RDC, (ii) field supervisions, and (iii) the installation and operation of a management information system; (b) the carrying out of public information campaigns to disseminate information about the Project; (c) commissioning of technical studies; (d) evaluation of the overall impact of the Project; and (e) dissemination of experiences gathered from the Project.

3. A Beneficiary Community seeking to acquire land with financing from the Land Acquisition Fund shall (a) identify the land which it proposes to acquire; and (b) directly negotiate the acquisition of the land.

4. The Beneficiary Community shall present its proposals for financing to the RDC in which the land is located for the RDC's approval, together with a provisional agreement of sale of land to the Beneficiary Community. The procedures for the approval by the RDC of the agreement of sale of land shall be set out in the Project Operational Manual.

5. (a) An RDC shall be responsible for the appraisal, approval, and overseeing of Subproject proposals estimated to cost less than \$50,000 equivalent as set out in the Project Operational Manual, and to that end shall seek the assistance of the Technical Support Unit as and when required.

(b) The RDCs shall each exercise its appraisal and approval functions through a subcommittee established by the RDC for that purpose.

(c) The Technical Support Unit shall be responsible for the appraisal and approval of Subproject proposals estimated to cost the equivalent of \$50,000 or more. Said appraisal and approval shall be carried out in accordance with the guidelines and

criteria set out in the Project Operational Manual and the provisions of this Agreement.

(d) After the approval of a Subproject proposal, an RDC shall promptly notify the Technical Support Unit of the RDC's approval of the proposal, and the Technical Support Unit or the RDC (if the Project Operational Manual so allows) shall instruct the PFI to disburse the necessary funds directly to the Beneficiary Community concerned with respect to any Subprojects approved by either the RDC or the Technical Support Unit.

6. (a) The Beneficiary Community shall require the approval of the RDC or, as the case may be, the Technical Support Unit to conclude the acquisition of any land to be financed from proceeds of the Land Acquisition Fund.

(b) The Technical Support Unit shall, during the execution of the Project, once every year carry out a random audit to determine whether the Beneficiary Communities continue to meet the eligibility criteria set out in the Project Operational Manual.

7. (a) A Beneficiary Community granted title to, or legal possession of, land acquired under the Project shall thereafter decide among its members how the land is to be farmed or subdivided among the individual households of the Beneficiary Community.

(b) The price of land acquired and to be funded from the proceeds of the Land Acquisition Fund shall (i) after the approval by the RDC of the financing proposal for such land, (ii) at the request of the RDC to the Technical Support Unit, and (iii) on the instructions of the Technical Support Unit, be paid by the PFI directly to the seller of the land in accordance with the procedures set out or referred to in the Project Operational Manual and the provisions of this Agreement.

(c) Each RDC and the Technical Support Unit shall utilize standardized technical, environmental, and institutional parameters set out in the Project Operational Manual in the evaluation and approval of such financing proposals.

Part B: PFI Account, Participation Agreements and Subproject Agreements

1. The Technical Support Unit shall open an account (the PFI Account) at a financial institution (the PFI) acceptable to the Association to be used exclusively by the RDCs and the Technical Support Unit for the making of Grants to Beneficiary Communities.

2. The Borrower shall enter into an agreement (an RDC Participation Agreement) satisfactory to the Association with each RDC participating in the Project. The RDC Participation Agreement shall, inter alia:

(i) provide for the terms and conditions governing requests by the RDCs for disbursement of funds under the Project to the Beneficiary Communities;

(ii) delegate to the RDC the Borrower's authority to operate the PFI Account; and

(iii) set out the pertinent guidelines of the Project Operational Manual applicable to disbursement of Grants to Beneficiary Communities.

3. For the purposes of each Grant: (i) an RDC with respect to a Subproject proposal estimated to cost less than \$50,000 equivalent approved by the RDC, and (ii) the Borrower with respect to a Subproject proposal estimated to cost \$50,000 or more equivalent approved by IMCRD, shall each enter into an agreement (the Subproject Agreement) satisfactory to the Association with the Beneficiary Community concerned in the form of the model provided in the Project Operational Manual, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, the amount of the Beneficiary Community's contribution to the cost of the Subproject, and the right of the RDC or, as the case may be, IMCRD to:

(i) require the Beneficiary Community (A) to carry out the Subproject with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and to maintain adequate records; and (B) upon completion of the Subproject, to make provision for the maintenance of the productive assets resulting therefrom;

(ii) obtain all such information as the Association or the Borrower shall reasonably request relating to the implementation of the Subproject and the performance of the Beneficiary Community thereunder; and

(iii) suspend or terminate the right of the Beneficiary Community to the use of the proceeds of a Grant upon failure by such Beneficiary Community to perform its obligations under such agreement.

#### Part C: Entitlements and Counterpart Contributions

1. The following facilities shall be made available to a Beneficiary Community with respect to an approved Subproject, namely: (i) a one-time cash start-up grant, and (ii) funding for implementing the approved Subprojects (including funding for technical advisory services for the design or implementation of Subprojects). Such grants and funding shall not exceed the limits set out in the Project Operational Manual.

2. A Beneficiary Community shall be required to make counterpart contributions to the costs of a Subproject approved for financing under the Project in the form of labor, cash and/or local materials in accordance with the procedures established in the Project Operational Manual. Contributions by the Beneficiary Community in cash, labor or in kind shall be taken into account in determining the amount of the Beneficiary Community's counterpart contributions to the said costs.

#### Part D: Project Operational Manual

1. The Borrower shall, for the purposes of the Project, prepare and furnish to the Association a Project Operational Manual in a form and substance satisfactory to the Borrower and the Association. The Borrower shall obtain the consent of the Association before making any material changes in the Project Operational Manual and shall not make any such changes in the Project Operational Manual that are, in the opinion of the Association, likely to affect materially or adversely the carrying out of the Project or the achievement of the objectives of the Project.

2. The Project Operational Manual shall set out details of (i) the criteria for Grant eligibility; (ii) the procedures to be used in calculating the amount of eligible funding to be made available to a Beneficiary Community; and (iii) standardized technical, environmental, and institutional requirements for the Project.

#### Part E: Information, Monitoring, Evaluation, and Reporting

1. The information-dissemination campaigns included in the Project shall be carried out by IMCRD with the support of the Technical Support Unit.

2. The Borrower shall, no later than December 31, 2001 (through a subcontract with an independent entity acceptable to the Association), carry out an evaluation of the Project, assembling of information relating to the Project, and the dissemination of the experiences and lessons derived from the Project, and promptly thereafter furnish the results of said evaluation to the Association for its review and comments.

3. RDCs shall be responsible for (i) the formulation of strategies to extend community mobilization to communities lacking in organization and not initially in a position to benefit from the Project; and (ii) making requests to the Technical Support Unit for the funding and support of said extension strategies.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the

Association, the carrying out of the Project and the achievement of the objectives thereof, including the submission to the Association of semiannual reports on such monitoring and evaluation;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2000, a 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 Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by February 28, 2000, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

5. (a) The Borrower shall carry out, jointly with the Association, no later than 12 months after the Effective Date, a midterm review of the progress made in carrying out the Project. The said midterm review shall cover, among other things, (i) progress made in meeting the Project's objectives; and (ii) the performance by the Borrower and the Project Execution Agencies of their respective obligations under the Project.

(b) The Borrower shall carry out, no later than one month after the completion of the report of the midterm review referred to in subparagraph (a) above, the recommendations of said review as agreed with the Association and set out in an action plan satisfactory to the Borrower and the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

refund to the Association such outstanding amount.

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

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

