

CONFORMED COPY

CREDIT NUMBER 2685 CD

Development Credit Agreement

(Agricultural and Livestock Services Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 14, 1995

CREDIT NUMBER 2685 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 14, 1995, between REPUBLIC OF CHAD (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Association has received a letter, dated February 6, 1995, from the Borrower, describing a program of actions, objectives and policies designed to strengthen the management and operation of the Borrower's agriculture and livestock sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

- (a) "CFA Francs" and "CFAF" means the currency of the Borrower;
- (b) "MAE" means the Borrower's Ministere de l'Agriculture et de l'Environnement (the Ministry of Agriculture and the Environment);
- (c) "MEH" means the Borrower's Ministere de l'Elevage et de l'Hydraulique (the Ministry of Livestock and Hydraulics);
- (d) "CIRAD-CA (Chad)" means the Centre International pour la Recherche Agronomique et le Developpement - Cultures Annuelles (Cotton Research Institute), Chad regional office, a research institute established under the laws of the French Republic;
- (e) "DOP" means the Direction de l'Organisation Pastorale (Pastoral Organization Directorate) within MEH;
- (f) "DRTA" means the Direction de la Recherche et de la Technologie Agricoles (Directorate for Agriculture Research and Technologies) within MAE;
- (g) "IITA" means the International Institute for Tropical Agriculture, a research institute whose principal office is located in Nigeria;
- (h) "LRVZ" means the Laboratoire de Recherches Veterinaires et Zootechniques de Farcha (Laboratory for Veterinary and Zootechnical Research), a research institute established under the laws of the Borrower, and operating under the supervision of MEH;
- (i) "ONDR" means the Office National de Developpement Rural (National Rural Development Institute), a research institute established pursuant to the Borrower's Ordonnance No. 26, dated July 23, 1965, and operating under the supervision of MAE;
- (j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 22, 1991 and May 9, 1991 and the letter agreement dated June 4, 1993, between the Borrower and the Association; and
- (k) "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 seventeen million Special Drawing Rights (SDR 17,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in CFA Francs 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.

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

Section 2.03. The Closing Date shall be March 31, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 1 and July 1, commencing July 1, 2005 and ending January 1, 2035. Each installment to and including the installment payable on January 1, 2015 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the

Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, Parts A and C of the Project through ONDR and DOP, and Part B of the Project through DRTA and ONDR, all with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and with due regard to ecological and environmental factors, 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. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in a commercial bank an agricultural and livestock services project account, to be managed by ONDR under terms and conditions satisfactory to the Association, to be used exclusively for the purposes of meeting expenditures under the Project;

(b) in addition to the initial deposit referred to in Section 6.01(e) of this Agreement, deposit into said account, promptly before each fiscal quarter starting after the Effective Date, the Borrower's contribution to the financing of the Project required for such ensuing quarter, as estimated by the Borrower in a manner satisfactory to the Association; and

(c) adopt, and thereafter implement, annual budgets which provide for an identifiable allocation of sufficient resources to implement the Project during such year, as estimated by the Borrower in a manner satisfactory to the Association.

Section 3.03. 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 3.04. The Borrower shall:

(a) complete, not later than July 31, 1997, an institutional study, under terms of reference satisfactory to the Association, regarding modalities for integrating public sector agriculture and livestock activities;

(b) adopt, not later than December 31, 1997, an action plan, satisfactory to the Association, to implement the recommendations of such study; and

(c) thereafter implement such action plan in a timely manner.

Section 3.05. (a) The Borrower shall, and shall cause ONDR to, carry out, jointly with the Association, annual reviews during the fourth calendar quarter of the progress made in carrying out the Project and the Program under terms of reference

satisfactory to the Association, including a review of: (i) progress reports, annual work programs, and budgets for the next year, (ii) training provided under the Project, (iii) Project management, (iv) staffing levels and extension ratios, and (v) the status of Project monitoring indicators agreed upon with the Association.

(b) The Borrower shall cause ONDR to transmit to the Association, at least 30 days prior to the review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing, inter alia, the status of the items listed in such paragraph.

(c) Following each annual review, the Borrower and ONDR shall promptly prepare an action plan, acceptable to the Association, to deal with deficiencies, if any, in Project and Program implementation identified during the review, and shall thereafter implement such action plan.

Section 3.06. (a) The Borrower shall carry out, and shall cause ONDR to carry out, jointly with the Association, during the fourth calendar quarters of 1997 and 1999, reviews of the progress made in carrying out the Project and the Program under terms of reference satisfactory to the Association. The reviews would cover, inter alia: (i) progress reports, annual work programs, and budgets for the next year, (ii) training provided under the Project, (iii) Project management, (iv) a beneficiary assessment, (v) an assessment of the institutional structure and management of ONDR, DOP and DRTA, (vi) the extent of adoption and diffusion of agricultural and livestock technologies, (vii) the results of the institutional study referred to in Section 3.04(a) of this Agreement, and (viii) the status of Project monitoring indicators agreed upon with the Association.

(b) The Borrower shall cause ONDR to transmit to the Association, at least 30 days prior to each review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing, inter alia, the status of the items listed in such paragraph and of Project and Program implementation generally. In this connection, the Borrower shall cause ONDR to employ independent auditors, satisfactory to the Association, to conduct financial and technical audits of the Project (beginning approximately 180 days prior to such review). Such audits shall be conducted under terms of reference satisfactory to the Association, including (i) a beneficiary assessment, (ii) an assessment of the institutional structure and management of ONDR, DOP and DRTA (in the case of the review to be conducted in 1997), and (iii) an impact evaluation study on the adoption and diffusion of agricultural and livestock technologies.

(c) Based on such reviews, the Borrower and ONDR shall promptly prepare an action plan, acceptable to the Association, to deal with deficiencies, if any, in Project and Program implementation identified during the review, and shall thereafter implement such action plan.

Section 3.07. Without limitation upon the provisions of Article IX of the General Conditions, 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;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain and 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 (including ONDR) responsible for carrying out the Project or any part thereof.

(b) The Borrower shall cause ONDR to:

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

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

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

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

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

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

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

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

ARTICLE V

Remedies of the Association

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the Borrower's Ordonnance No. 26, dated July 23, 1965 (establishing ONDR) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of ONDR or its ability to carry out the Project;

(c) the Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of ONDR or for the suspension of its operations; and

(d) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that ONDR will be able to

assist in implementing the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely any event specified in paragraph (b) or (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) ONDR shall: (i) have established an accounting system satisfactory to the Association, (ii) have fully implemented an action plan satisfactory to the Association to strengthen its financial management capacity, and (iii) have adopted a detailed Project procurement plan, satisfactory to the Association;

(b) the Borrower shall have contracted the services of a construction management agency, satisfactory to the Association, under terms and conditions satisfactory to the Association, to implement extension and research-related construction activities under the Project;

(c) ONDR shall have adopted a training program for the first year of the Project, satisfactory to the Association;

(d) ONDR shall have entered into agreements, in form and substance satisfactory to the Association, with DRTA, LRVZ, CIRAD-CA (Chad), and IITA for purposes of carrying out Part B of the Project; and

(e) the Borrower shall have established the agricultural and livestock services project account referred to in Section 3.02 of this Agreement and shall have deposited therein an initial amount in CFAF equivalent to \$50,000.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister for Planning and Cooperation of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Planning and Cooperation
BP 286
N'Djamena
Republic of Chad

Cable address:

MINPLAN
N'Djamena

Telex:

5329 KD

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 CHAD

By /s/ Mahamat Saleh Hamat

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Stephen Denning

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|---|---|---|
| (1) Civil Works | 450,000 | 100% of foreign expenditures and 90% of local expenditures |
| (2) Vehicles, Motorcycles, Equipment and Materials | 4,680,000 | 100% of foreign expenditures and 90% of local expenditures |
| (3) Training | 570,000 | 100% of foreign expenditures and 90% of local expenditures |
| (4) Consultants' Services | 1,090,000 | 100% |

| | | |
|--|------------|---|
| (5) Incremental Operating Costs | 8,510,000 | 90% |
| (6) Refunding of Project Preparation Advance | 690,000 | Amount due pursuant to Section 2.02 (c) of this Agreement |
| (7) Unallocated | 1,010,000 | |
| | <hr/> | |
| TOTAL | 17,000,000 | |

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "incremental operating costs" means costs of (i) office supplies, (ii) equipment and transport (vehicle, motorcycles and other means of transportation) maintenance and operation, and (iii) travel allowances incurred by ONDR, MAE, MEH and LRVZ in carrying out the Project.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods, works and services provided by firms under contracts not exceeding \$100,000 equivalent, and services provided by individuals under contracts not exceeding \$50,000 equivalent, 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 (i) to increase agricultural and livestock productivity in an environmentally sustainable manner, (ii) to raise farmers' incomes, and (iii) to improve the efficiency of agricultural and livestock extension and research activities.

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: Agricultural and Livestock Extension Services

1. Increasing the delivery of extension services to farmers, and strengthening the quality of such services, through, inter alia, improved organization and management of extension activities, increased training of personnel, establishment of strengthened formalized links between extension and research activities, implementation of a mass media information campaign and the construction and rehabilitation of field facilities.

2. Increasing access of women to extension services through, inter alia, the

targeting of services to women and strengthening the recruitment of female extension agents.

Part B: Agricultural and Livestock Research Activities

Improving the effectiveness of research activities to identify and eliminate on-farm production constraints through, inter alia, the establishment and operation of research teams, the increased and interlinked participation of producers, extension staff and research staff in research activities and the construction and rehabilitation of research facilities.

Part C: Farm Producer Organizations

Strengthening the institutional and operational capacity of agricultural producer organizations to carry out collective agricultural and livestock activities through, inter alia, training of producers in marketing, management and equipment repair.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part E.1(a) of this Section I of this Schedule, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

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

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Items or groups of items for (i) vehicle operation estimated to cost the equivalent of \$150,000 per contract or less, up to an aggregate amount equivalent to \$3,200,000, (ii) other goods estimated to cost the equivalent of \$150,000 or less per contract, up to an aggregate amount equivalent to \$350,000, and (iii) works, up to an aggregate amount equivalent to \$650,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association

2. Items or groups of items for goods estimated to cost the equivalent of \$30,000 or less per contract, up to an aggregate amount equivalent to \$110,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

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

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower and ONDR in carrying out the Project, the Borrower and ONDR shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) establish a coordinating committee to oversee the implementation of the Project, under terms of reference satisfactory to the Association; and

(b) cause ONDR to report to this committee at least annually regarding Project implementation, and to submit for its approval proposed Project training, research and other programs and budgets planned for the succeeding year.

2. The Borrower shall cause ONDR (a) to manage Project expenditures for all implementing agencies, under terms of reference satisfactory to the Association, and (b) to implement the procurement plan referred to in Section 6.01(a)(iii) of this Agreement in a timely manner.

3. In carrying out Parts A and C of the Project, the Borrower shall allocate management responsibility between DOP and ONDR, in a manner satisfactory to the Association, with the purpose of attributing to ONDR responsibility for areas where agricultural activities predominate, and to DOP responsibility for areas where livestock activities predominate.

4. In carrying out Part A of the Project:

(a) the Borrower shall review at least every two years the geographic scope of the activities carried out under such Part and, in consultation with the Association, adjust as appropriate such scope, taking into account, inter alia, the actual implementation of such Part;

(b) the Borrower shall through DOP, and shall cause ONDR to, implement the extension services activities under the "Training and Visit" system, with staffing satisfactory to the Association; and

(c) the Borrower shall through DOP, and shall cause ONDR to, conduct extension activities in accordance with guidelines satisfactory to the Association, which shall provide, inter alia, for the preparation of diagnostic surveys, information campaigns for beneficiaries, and orientation and training of assigned extension workers.

5. In carrying out Part B of the Project:

(a) the Borrower shall establish three research teams, one in the Soudanian zone, one in the western Sahelian zone, and one in the eastern Sahelian zone;

(b) the Borrower shall cause each team (i) to operate under terms of reference satisfactory to the Association, which shall provide, inter alia, for extensive consultation with beneficiaries and extension agents, (ii) to include an agronomist, a zoo technician and a socio-economist, each with qualifications and experience satisfactory to the Association, and (iii) to function in close coordination with research institutions;

(c) the Borrower shall cause ONDR to exercise its rights and comply with its obligations under the agreements referred to in Section 6.01(d) of this Agreement in such a way 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 permit ONDR to assign, amend, abrogate or waive any of these agreements or any provision thereof; and

(d) DRTA shall manage, in consultation with LRVZ, the research activities under this Part under terms of reference and with staffing satisfactory to the Association, which terms shall provide, inter alia, for the establishment of a research committee with representation from LRVZ, CIRAD-CA, DOP, ONDR and the central Sahelian zone research team.

6. In carrying out Part C of the Project, the Borrower shall employ through DOP, and shall cause ONDR to employ:

(a) approximately 30 group promotion specialists, each under terms of reference and with qualifications and experience satisfactory to the Association, to prepare training programs for farm producer organizations, to assist such organizations to register, and to otherwise support such organizations; and

(b) non-governmental organizations and other technical assistance to provide training and other support to farm producers, under contracts satisfactory to the Association which shall require, inter alia, that beneficiaries contribute to the cost of training.

7. The Borrower shall carry out the extension and research-related construction and rehabilitation activities through a construction management agency satisfactory to the Association, under terms and conditions satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 CFAF 250,000,000 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 CFAF 125,000,000 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 \$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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit

Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been 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, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

