

CONFORMED COPY

CREDIT NUMBER 2123 BU

(Coffee Sector Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 20, 1990

CREDIT NUMBER 2123 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 20, 1990, between the REPUBLIC OF BURUNDI (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter, dated March 2, 1990, from the Borrower describing a series of actions designed to achieve certain policy objectives in the Borrower's coffee sector (the Plan of Action) and declaring the Borrower's commitment to the carrying out of the Plan of Action.

(B) 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;

(C) Parts C.1 and C.2 of the Project will be carried out by the Banque de la Republique du Burundi (BRB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BRB part of the proceeds of the Credit as provided for in this Agreement under an agreement (the Management Agreement) to be

entered into between the Borrower and BRB;

(D) the Borrower intends to contract from the Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) in an amount equivalent to six million dollars (\$6,000,000) approximately to assist in financing Parts B.1 (a), B.2 (a) and D of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE;

(E) the Borrower has contracted from the Fonds d'Aide et de Cooperation (FAC) a grant (the FAC Grant) in an amount equivalent to one million five hundred thousand dollars (\$1,500,000) to assist in financing Part D of the Project on the terms and conditions set forth in an agreement (the FAC Grant Agreement) dated September 27, 1989, between the Borrower and FAC;

(F) the Borrower has contracted from the Centre de Coopération Internationale pour la Recherche Agricole et le Développement (CIRAD) a grant (the CIRAD Grant) in an amount equivalent to four hundred and twenty-five thousand dollars (\$425,000) to assist in financing Part D of the Project on the terms and conditions set forth in an agreement (the CIRAD Grant Agreement) dated September 27, 1989, between the Borrower and CIRAD;

(G) the Borrower intends to contract from the Government of Belgium (Belgium) a grant (the Belgian Grant) in an amount equivalent to nine hundred and fifty thousand dollars (\$950,000) to assist in financing Part B.1 (b) of the Project on the terms and conditions set forth in an agreement (the Belgian Grant Agreement) to be entered into between the Borrower and Belgium; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "BRB" means Banque de la Republique du Burundi, the Borrower's Central Bank;

(b) "Statutes" means the statutes dated January 3, 1976, establishing BRB, as amended to the date of this Agreement;

(c) "RDCs" means the Regional Development Companies established by the Borrower's loi-decret No. 1/17 of June 15, 1979;

(d) "ISABU" means Institut des Sciences Agronomiques du Burundi, the Borrower's agricultural research institute;

(e) "OCIBU" means the Borrower's coffee processing and regulatory body;

(f) "BCC" means Burundi Coffee Company, the Borrower's coffee marketing agency;

(g) "Implementation Unit" means the unit to be established pursuant to Section 3.04 of this Agreement;

(h) "Private Auction Facility" means the unit to be established by the Borrower pursuant to Section 3.06 (c) of this Agreement to auction coffee to private exporters;

(i) "Preparation Committee" means the Comite de Preparation pour l'Introduction d'une Filicre Privee de Commercialisation du Cafe, established by the Borrower to undertake a study in order to make recommendations to the Borrower concerning the establishment of the Private Auction Facility;

(j) "Office du Cafe" means the coffee industry regulatory body to be established under Part A.1 of the Project;

(k) "SOGESTALs" means Societes de Gestion de Stations de Lavage, autonomous companies with share capital open to ownership by private investors to be established under Part A.2 of the Project to operate and manage the Borrower's coffee washing stations;

(l) "SODECO" means Societe de Deparchage et de Conditionnement, an autonomous company with share capital open to ownership by private investors to be established under Part A.3 of the Project to operate and manage the Borrower's coffee hulling factories;

(m) "Private Investment Enterprise" means an enterprise which has been appraised, in accordance with Paragraph 3 of Schedule 2 to the Project Agreement, as being eligible for Sub-loans and to or for which a Participating Financial Intermediary (as hereinafter defined) has made or proposes to make a Sub-loan;

(n) "Investment Project" means the construction of a new washing station or the acquisition of equipment and tools for such new washing station by a Private Investment Enterprise utilizing the proceeds of a Sub-loan;

(o) "Participating Financial Intermediary" and "PFI" mean a commercial or development bank or credit institution acceptable to the Association to which BRB under a Participating Agreement with such bank or institution, has lent proceeds of the Credit for relending to Private Investment Enterprises for Investment Projects;

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

(q) "Management Agreement" means the agreement referred to in Section 3.10 (a) of this Agreement to be entered into between the Borrower and BRB, as the same may be amended from time to time, and such term includes all schedules to the Management Agreement;

(r) "Participation Agreement" means an agreement entered into or to be entered into between BRB and a Participating Financial Intermediary as set out in Section 3.10 (a) (ii) of this Agreement;

(s) "Apex Project Management Unit" means the unit established and maintained within BRB pursuant to Section 2.01 (b) of the Project Agreement dated June 8, 1988 between the Association and BRB in respect of the Small Enterprise/Apex Project (Credit No. 1889 BU);

(t) "Sub-loan" means a loan made or proposed to be made by a Participating Financial Intermediary to a Private Investment Enterprise for an Investment Project out of the equivalent of the proceeds of the Credit made available to such Participating Financial Intermediary by BRB;

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

(v) "Project Account" means the account to be opened pursuant to Section 3.03 (a) of this Agreement;

(w) "Fiscal Year" means the fiscal year of the Borrower which runs

concurrently with the calendar year;

(x) "Franc Burundais" and "FBu" mean the currency of the Borrower; and

(y) "Project Preparation Advance" means the advance granted by the Association to the Borrower pursuant to an exchange of letters dated September 20, 1989 and January 2, 1990 between the Borrower and the Association.

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 this Agreement, an amount in various currencies equivalent to twenty-one million three hundred thousand Special Drawing Rights (SDR 21,300,000).

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

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

(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 July 31, 1996 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 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 June 1 and December 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 semi-annual installments payable on each June 1 and December 1, commencing commencing June 1, 2000 and ending December 1, 2029. Each installment to and including the installment payable on December 1, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

ARTICLE III

Use of the Proceeds of the Credit; Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(a) shall cause BRB to carry out Parts C.1 and C.2 of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of BRB therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BRB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(b) shall carry out Parts A, B, C.3, D.1, D.2 and E of the Project through OCIBU/Office du Cafe and Part D.3 of the Project through ISABU, all with due diligence and efficiency and in conformity with appropriate technical, administrative and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such parts of the Project.

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

Section 3.03. The Borrower shall, for the purposes of the Project:

(a) open and maintain in FBu in the name of OCIBU/Office du Cafe an account (the Project Account) in a bank acceptable to the Association on terms and conditions acceptable to the Association;

(b) deposit into the Project Account an initial amount equivalent to thirty-five million Francs Burundais (FBu 35,000,000) in constant 1990 Franc Burundais;

(c) thereafter deposit into the Project Account not later than March 31, June 30, September 30, and December 31 in each year during Project implementation, the amount necessary to replenish the Project Account to the initial amount referred to in the preceding sub-paragraph; and

(d) ensure that amounts deposited into the Project Account pursuant to paragraphs (b) and (c) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for Parts A, B, D and E of the Project.

Section 3.04. The Borrower shall establish and thereafter maintain with a structure satisfactory to the Association, including qualified and experienced staff in adequate numbers, a unit (the Implementation Unit) to coordinate the implementation of Part B of the Project.

Section 3.05. The Borrower shall cause BCC to:

(a) adopt and maintain competitive employment terms and conditions satisfactory to the Association for its staff; and

(b) thereafter, establish and maintain a marketing department headed by a marketing manager appointed under terms and conditions acceptable to the Association.

Section 3.06. The Borrower shall:

(a) furnish to the Association for its review and comments a report of such scope and in such detail as the Association shall have requested on the study of the Preparation Committee regarding the establishment and operation of the Private Auction Facility including the recommendations resulting therefrom;

(b) not later than three months thereafter, exchange views with the Association on such recommendations; and

(c) promptly after such exchange of views and, in any event, not later than December 31, 1990, establish and thereafter operate the Private Auction Facility in accordance with the recommendations acceptable to the Association of the Preparation Committee.

Section 3.07. The Borrower shall, not later than December 31, 1992:

(a) jointly review with the Association: (i) the implementation of the Project and the Plan of Action; and (ii) the performance of the Private Auction Facility and of the BCC with a view to determining any adjustments to be made to their respective functions, procedures or structures; and

(b) undertake to implement, in a manner satisfactory to the Association, the recommendations acceptable to the Association of the joint review.

Section 3.08. The Borrower shall:

(a) by October 31, 1990, furnish to the Association a report of such scope and in such detail as the Association shall have requested on the study described under Part A.5 of the Project including the recommendations resulting therefrom;

(b) promptly thereafter exchange views with the Association on such recommendations; and

(c) promptly after the exchange of views referred to in the preceding paragraph and, in any event, not later than February 28, 1991, implement a new coffee pricing and payment system in accordance with the recommendations acceptable to the Association of the said study.

Section 3.09. For the purpose of Part B.1 of the Project, the Borrower shall carry out a feasibility study to determine the location of each coffee washing station to be constructed thereunder based on technical, financial and economic criteria acceptable to the Association prior to commencing construction of such station.

Section 3.10. (a) For the purposes of Parts C.1 and C.2 of the Project, the Borrower shall onlend to BRB the portion of the Credit withdrawn under Categories 1 (b) and 3 (b) in the table in Paragraph 1 of Schedule 1 to this Agreement under an agreement (the Management Agreement) which shall have been approved by the Association and which shall include the following terms and conditions:

(i) that the interest rate to be charged to BRB shall be one-half of one percent (1/2%) below the Government Security Rate, the principal amount of the Credit onlent to BRB being repaid to the Borrower in equal annual installments beginning ten (10) years after the date of this Agreement and ending thirty (30) years after the date of this Agreement;

(ii) that BRB shall onlend the proceeds of the Credit received under the Management Agreement to Participating Financial Intermediaries under the terms and conditions of the Participation Agreement at an interest rate equal to the Government Security Rate, and an amortization period equal to the amortization period of the Sub-loans made using the proceeds thereof; and

(iii) that the foreign exchange risk shall be borne by the Borrower.

(b) For the purposes of this Section, "Government Security" means the debt obligation (Certificat du Tresor) having the longest available maturity among those publicly issued by the Borrower and "Government Security Rate" means the interest rate payable on such security.

(c) The Borrower shall exercise its rights under the Management Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive the Management Agreement or any provision thereof.

(d) During the execution of the Project, the Borrower and the Association shall review the onlending arrangements to determine whether they are adequate to reflect the economic cost of capital and to compensate the Borrower for the foreign exchange risk referred to in Section 3.10 (a) (iii) above and the Borrower shall promptly adjust the interest rates referred to in Section 3.10 (a) (i) and (ii) above if they are found inadequate by the Association after any such review.

Section 3.11. The Borrower shall, by December 31, 1990, appoint, under terms and conditions satisfactory to the Association:

(a) a management and finance specialist acceptable to the Association to provide the technical assistance to the SOGESTALS described under Part A.2 of the Project; and

(b) a training specialist satisfactory to the Association to coordinate Part E of the Project.

Section 3.12. The Borrower shall, by June 30, 1991, establish within the Office du Cafe a private sector promotion committee under terms of reference and having a work program, agreed upon between the Borrower and the Association.

Section 3.13. The Borrower and the Association hereby agree that compliance with the obligations set forth in Section 9.03, 9.04, 9.05, 9.06 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance respectively) in respect of Parts C.1 and C.2 of the Project shall be ensured by BRB, pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

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

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

(ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan 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) BRB shall have failed to perform any of its obligations under the Project Agreement or the Management Agreement.

(b) 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 BRB will be able to perform its obligations under the Project Agreement or the Management Agreement.

(c) The Statutes shall have been amended, suspended, abrogated, repealed or

waived so as to affect materially and adversely the operations or financial condition of BRB or its ability to carry out Parts C.1 and C.2 of the Project or to perform any of its obligations under the Project Agreement.

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

(e) The implementation of the Plan of Action shall have been suspended or terminated or shall have materially deviated from such Plan of Action as defined in paragraph (A) of the Preamble to this Agreement.

(f) The CCCE Loan Agreement shall have failed to become effective by December 31, 1990, or such later date as the Association may agree, provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(g) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any grant or loan Project shall have been whole or in part, pursuant to the providing therefor; or made to the Borrower for the financing of the suspended, cancelled or terminated in terms of the agreement

(B) any such loan shall have become due and payable prior to the maturity thereof; agreed

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

(A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

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

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

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

(b) any of the events specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has furnished to the Association a report by independent auditors acceptable to the Association in such detail and of such scope as the Association shall have reasonably requested of the audit of OCIBU's accounts for Fiscal Year 1989;

- (b) the Borrower and BRB have entered into the Management Agreement;
- (c) the Borrower and Belgium have entered into the Belgian Grant Agreement;
- (d) the Borrower has employed consultants in accordance with Section II of Schedule 3 to this Agreement to carry out Part A.5 of the Project;
- (e) the Borrower has complied with Sections 3.03 (b), 3.05 and 3.06 (a) of this Agreement; and
- (f) the Borrower has appointed to ISABU a coordinator acceptable to the Association under terms and conditions satisfactory to the Association to coordinate coffee research.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Project Agreement has been duly authorized or ratified by BRB and is legally binding upon BRB in accordance with its terms; and
- (b) that the Management Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and BRB in accordance with its terms.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Ministcre de l'Agriculture et de l'Elevage of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

For the Borrower:

Ministcre de l'Agriculture et de l'Elevage
 B.P. 1850
 Bujumbura
 Republique du Burundi

Cable address:

MINAGRI
 Bujumbura

Telex:

5147 MINAGRI, BDI

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:

197688 (TRT)
 248423 (RCA)
 64145 (WUI) or
 82987 (FTCC)

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 BURUNDI

By /s/ Julien Kavakure

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman

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) Construction of coffee washing stations	10,690,000	
(a) civil works under Part B.1(a) of the Project		100% of foreign expenditures and 80% of local expendi- tures
(b) civil works financed under Sub-loans		100% of proceeds of amounts onlent by BRB to PFI
(2) Civil works under Parts B.1(c) and D.2 of the Project	150,000	100% of foreign expenditures and 80% of local expenditures
(3) Machinery and tools for coffee washing stations	3,030,000	
(a) under Part B.2 (a) of the Project		100% of foreign expenditures and 80% of local expenditures
(b) goods financed under Sub- loans		100% of proceeds of amounts on- lent by BRB to

		PFI	
(4)	Furniture and equipment under Part B.2 (b) of the Project	80,000	100% of foreign expenditures and 80% of local expenditures
(5)	Furniture, equipment and materials under Part D.3 of the Project	80,000	100% of foreign expenditures and 80% of local expenditures
(6)	Vehicles	950,000	100% of foreign expenditures and 80% of local expenditures
(7)	Technical assistance	1,060,000	100%
(8)	Training	1,060,000	100%
(9)	(a) Incremental operating costs of ISABU	910,000	100% of expenditures paid through December 31, 1992; 80% of expenditures paid through December 31, 1993; 50% of expenditures paid through December 31, 1994; thereafter 20%
	(b) Incremental operating costs of the Office du Cafe	150,000	100% of foreign expenditures and 60% of local expenditures
	(c) Incremental operating costs of the SOGESTALs	1,210,000	100% of foreign expenditures and 60% of local expenditures
(10)	Refunding of Project Preparation Advance	490,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(11)	Unallocated	1,440,000	
	TOTAL	21,300,000 =====	

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs of ISABU" means the cost to ISABU incremental to the Project of staff salaries and other labor costs, office supplies and maintenance, research inputs, vehicle operation, office and equipment rental and staff travel;

(d) the term "incremental operating costs of the Office du Cafe" means the cost to the Office du Cafe incremental to the Project of staff salaries, office supplies, vehicle operation, equipment and office rental and staff travel; and

(e) the term "Incremental operating costs of the SOGESTALs" means the cost to the SOGESTALs incremental to the Project of staff salaries, office supplies, vehicle operation, equipment and office rental and staff travel.

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; and

(b) Categories (1) (b) and (3) (b) unless:

(i) the relevant Participation Agreement has been entered into by BRB and the Participating Financial Intermediary concerned and is satisfactory to the Association; and

(ii) the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase the efficiency and productivity of the Borrower's coffee industry, open it to private investors and augment the value of the Borrower's coffee exports by increasing the share of wet processed (fully-washed) coffee in such exports.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Reforms.

1. Establishment of, and provision of technical assistance to, the Office du Cafe.
2. Establishment of five SOGESTALs and provision of technical assistance to such SOGESTALs in the operation and management of the Borrower's coffee washing stations.
3. Establishment of SODECO and provision of technical assistance to SODECO in the operation and management of the Borrower's coffee hulling factories.
4. Provision of technical assistance to the Preparation Committee and BCC and establishment and operation of and, provision of technical assistance to, the Private Auction Facility.
5. Carrying out of a study to develop a new coffee pricing and payment system.

Part B: Investments

1. Construction of:

(a) coffee washing stations;

(b) about 300 kilometers of access roads to such coffee washing stations and to those constructed by virtue of the financing described under Part C.1 of the

Project; and

(c) offices for use by the SOGESTALS.

2. Acquisition of:

(a) machinery and tools for washing stations constructed under Part B.1 (a) of the Project;

(b) office equipment and furniture and vehicles for use by the Office du Cafe and the SOGESTALS.

Part C: Credit to Private Investment Enterprises

1. Financing, through loans granted to Private Investment Enterprises by Participating Financial Intermediaries using the proceeds of the Credit onlent to such Participating Financial Intermediaries by BRB, of construction of new washing stations.

2. Financing, through loans granted to Private Investment Enterprises by Participating Financial Intermediaries using the proceeds of the Credit onlent to such Participating Financial Intermediaries by BRB, of the acquisition of equipment and tools for use in washing stations constructed or to be constructed by such Private Investment Enterprises using the financing described in the preceding paragraph.

3. Provision of technical assistance to Private Investment Enterprises and potential Private Investment Enterprises in the preparation of Investment Projects and the submission of Sub-loan applications to Participating Financial Intermediaries.

Part D: Strengthening of Coffee Research

1. Construction of office buildings and laboratories;

2. Acquisition of office equipment and furniture, research materials and vehicles; and

3. Carrying out of a comprehensive coffee research program including conferences and symposia and training of staff of ISABU.

Part E: Training

Carrying out of a coffee industry-wide training program.

* * *

The Project is expected to be completed by January 31, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Bidders for works shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for goods shall be grouped into bid

packages estimated to cost the equivalent of \$100,000 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 Burundi 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. Works under Part B.1 (a) of the Project and works to be financed out of the proceeds of Sub-loans up to an aggregate amount equivalent to \$14,500,000, works under Parts B.1 (c) and D.1 of the Project up to an aggregate amount equivalent to \$300,000 and items or groups of items for vehicles and equipment under Parts B.2 and D.2 of the Project estimated to cost the equivalent of \$20,000 or more but less than \$100,000 per contract 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 vehicles and equipment under Parts B.2 and D.2 of the Project and goods to be financed out of the proceeds of Sub-loans estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount equivalent to \$600,000, 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 prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. 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.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower 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.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (9) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or 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; or

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

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

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

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

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

(d) Refunds to the Association made pursuant to 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.

