

**CONFORMED COPY**

**CREDIT NUMBER 3770 TA**

# **Development Credit Agreement**

**(Participatory Agricultural Development and Empowerment Project)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 23, 2003**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 23, 2003, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated April 25, 2003, describing a program designed to raise food production in a sustainable manner and improve rural incomes and assets of targeted households and groups through the implementation of small community-based agricultural activities (the Program) and declaring the Borrower's commitment to the execution of such Program;

(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; 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" (the General Conditions) of the Association, dated January 1, 1985 (as amended through October 6, 1999), 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) “Agricultural Sector Lead Ministries (ASLM)” means the Borrower’s Ministry of Agriculture and Food Security (MAFS), Ministry of Cooperatives and Marketing, President’s Office – Regional Administration and Local Government (PO-RALG) and Ministry of Water and Livestock Development (MWLD);

(b) “Beneficiary” means a Farmer Group (as hereinafter defined) or Community (as hereinafter defined) which has met the eligibility criteria set out in the Project Operational Manual (as hereinafter defined) / Zanzibar Project Operational Manual (as hereinafter defined) and the requirements of Schedule 4 to this Agreement and, as a result, has received or is entitled to receive, a Farmer Group Investment Grant (as hereinafter defined) or a Community Investment Grant (as hereinafter defined), and “Beneficiaries” shall mean all such Beneficiaries collectively;

(c) “Community” means a single village, or a significant portion thereof, with a common investment interest;

(d) “Community Investment (CI) Grant” means a grant made or proposed to be made by a District Council (as hereinafter defined) to a Beneficiary for the purpose of financing a CI Subproject (as hereinafter defined);

(e) “CI Grant Agreement” means an agreement to be entered into between a District Council / MANREC and a Beneficiary, setting forth the terms and conditions under which proceeds of the Credit shall be made available to the Beneficiary for the purpose of financing CI Subprojects (as hereinafter defined) under Part A.2 of the Project;

(f) “CI Subproject” means an activity proposed by a Beneficiary under Part A.2 of the Project and financed or to be financed out of the proceeds of the Credit;

(g) “District” means an administrative area of the Borrower, established pursuant to Section 6 of the Borrower’s Regions and Districts (Establishment Procedure) Act 1994, Act No. 12 of 1994, representing a designated area and population within the territory of the Borrower;

(h) “District Agricultural Development Plan (DADP)” means a plan based on broad agricultural sector strategies and comprising a framework for implementation thereof, to achieve sectoral objectives and targets at District level;

(i) “District Council” means a legal entity of the Borrower, established pursuant to Section 5 of the Borrower’s Local Government (District Authorities) Act 1982, Act No. 7 of 1982, to exercise jurisdiction over a District;

(j) “DED” means District Executive Director;

(k) “District Facilitation Team (DFT)” means the unit established by the DED, comprising District technical staff and representatives from the private sector and NGOs, which will act as a technical working group under the DED;

(l) “District Management Team (DMT)” means the unit existing within the District Council, chaired by the DED and comprising Heads of District Departments, which will be responsible for the approval of Subprojects and the aggregation of approved Subprojects into the DADP and for the implementation of Part B of the Project;

(m) “Environmental and Social Framework (ESF)” means the framework dated March 31, 2003, satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impact of the Project, as the same may be updated from time to time with the approval of the Association, to be adopted by the Borrower in accordance with the provisions of Paragraph 9 of Schedule 4 to this Agreement and to be used as the basis for preparation of Environmental and Social Management Plans (as hereinafter defined);

(n) “Environmental and Social Management Plan (ESMP)” means the Subproject-specific plan, satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impact of the Subproject, as the same may be updated from time to time with the approval of the Association, to be prepared on the basis of the ESF / ZESF (as hereinafter defined);

(o) “Farmer Group” means a small group (10-40 households) of the same village in which members have voluntarily agreed, with the endorsement of their Village Council (as hereinafter defined), to engage in an FGI Subproject;

(p) “Farmer Group Investment (FGI) Grant” means a grant made or proposed to be made by a District Council to a Beneficiary for the purpose of financing an FGI Subproject (as hereinafter defined);

(q) “FGI Grant Agreement” means an agreement to be entered into between a District Council / MANREC and a Beneficiary, setting forth the terms and conditions under which proceeds of the Credit shall be made available to the Beneficiary for the purpose of financing FGI Subprojects (as hereinafter defined) under Part A.1 of the Project;

(r) “FGI Subproject” means an activity proposed by a Beneficiary under Part A.1 of the Project and financed or to be financed out of the proceeds of the Credit;

(s) “Financial Monitoring Report” (FMR) means each report prepared in accordance with Section 4.02 of this Agreement;

(t) “Fiscal Year (FY)” means the Borrower’s fiscal year, which runs from July 1 through June 30;

(u) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations;

(v) “Integrated Pest Management Plan (IPMP)” means the Subproject-specific plan, satisfactory to the Association, describing measures for the management of potential risks of pests associated with crop intensification or other activities to be implemented under the Subproject, as the same may be updated from time to time with the approval of the Association;

(w) “MAFS” means the Borrower’s Ministry of Agriculture and Food Security;

(x) “MANREC” means the Borrower’s Ministry of Agriculture, Natural Resources, Environment and Cooperatives of Zanzibar;

(y) “National Project Steering Committee (NPSC)” means the policy-making body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for the purposes of overall oversight of the Project;

(z) “Participating District” means a District of the Borrower, selected in accordance with criteria satisfactory to the Association as set forth in the POM (as hereinafter defined) / ZPOM (as hereinafter defined), to which proceeds of the Credit are made or proposed to be made available under a Project Implementation Agreement (as hereinafter defined);

(aa) “Project Accounts” means the accounts referred to in Section 3.04 of this Agreement;

(bb) “Project Coordination Unit (PCU)” means the unit established within the MAFS in accordance with the provisions of Paragraph 1 of Schedule 4 to this Agreement for the purposes of coordination of the Agricultural Sector Lead Ministries and monitoring of the Project;

(cc) “Project Implementation Agreement” means an agreement between the MAFS / MANREC and a Participating District, setting forth the terms and conditions

under which proceeds of the Credit shall be made available to the District for the purpose of financing activities under Part B of the Project;

(dd) “Project Implementation Plan (PIP)” means the plan referred to in Paragraph 6 of Schedule 4 to this Agreement and comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project on the Mainland;

(ee) “Project Operational Manual (POM)” means the manual setting out the policies, procedures and guidelines which shall be followed by the Borrower in the operation of the Project on the Mainland and comprising: (i) the PIP; (ii) a financial management manual; (iii) a Project procurement plan; (iv) standard formats for FGI and CI Grant Agreements and Project Implementation Agreements; (v) ESF and RPF (as hereinafter defined) documents; (vi) Guidelines to the Preparation and Implementation of Agricultural Development Subprojects; and (vii) such other administrative, financial, technical and organizational arrangements as shall be required for the Project, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules thereto;

(ff) “Project Preparation Advances” means the two project preparation advances granted by the Association to the Borrower pursuant to: (i) the letter agreement signed on behalf of the Association on September 10, 2001 and on behalf of the Borrower on September 26, 2001; and (ii) the letter agreement signed on behalf of the Association on March 5, 2003 and on behalf of the Borrower on March 8, 2003;

(gg) “Project Technical Committee (PTC)” means the body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for the purposes of provision of technical and advisory services to the Project;

(hh) “Resettlement Policy Framework (RPF)” means the framework dated March 31, 2003, agreed with the Association for the resettlement and compensation of persons affected by potential changes in land use associated with activities to be implemented under the Project;

(ii) “*Sheha*” means the person appointed pursuant to Section 15 of the Borrower’s Zanzibar Regional Administration Authority Act No. 1 of 1998 to administer a *Shehia* (as hereinafter defined);

(jj) “*Shehia*” means a legal entity of the Borrower, established pursuant to Section 14 of the Borrower’s Zanzibar Regional Administration Authority Act No. 1 of 1998, representing a designated area and population in Zanzibar;

(kk) “*Shehia* Advisory Council” means a legal entity of the Borrower, established pursuant to Section 18 of the Borrower’s Zanzibar Regional Administration Authority Act No. 1 of 1998, to advise the *Sheha* in matters related to the maintenance of law and order in the *Shehia* and other matters which are beneficial to the well-being of the *Shehia*;

(ll) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(mm) “SUA” means the Sokoine University of Agriculture, established pursuant to the Borrower’s University of Agriculture Act No. 6 of 1984;

(nn) “Subproject” means an activity proposed by a Beneficiary under Part A of the Project and financed or to be financed out of the proceeds of the Credit;

(oo) “Village” means an administrative area of the Borrower, established pursuant to the Borrower’s Local Government (District Authorities) Act 1982, Act No. 7 of 1982, representing a designated area and population within the territory of the Borrower;

(pp) “Village Council” means a legal entity of the Borrower, established pursuant to Section 25 of the Borrower’s Local Government (District Authorities) Act 1982, Act No. 7 of 1982, comprising members of a village and charged with the endorsement of Subprojects proposed by Beneficiaries;

(qq) “Zanzibar Environmental and Social Framework (ZESF)” means the framework, satisfactory to the Association, describing measures for the mitigation of the potential environmental and social impact of the Project in Zanzibar, as the same may be updated from time to time with the approval of the Association, to be adopted by the Borrower in accordance with the provisions of Paragraph 3 (e) of Schedule 1 to this Agreement and to be used as the basis for preparation of ESMPs;

(rr) “Zanzibar Project Coordination Unit (ZPCU)” means the unit established within the MANREC in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for the purposes of coordination and monitoring of Project activities in Zanzibar;

(ss) “Zanzibar Project Implementation Plan (ZPIP)” means the plan referred to in Paragraph 3 (c) (i) of Schedule 1 to this Agreement and comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project in Zanzibar;

(tt) “Zanzibar Project Operational Manual (ZPOM)” means the manual setting out the policies, procedures and guidelines which shall be followed by the Borrower in the operation of the Project in Zanzibar and comprising: (i) the ZPIP; (ii) a financial management manual; (iii) a Project procurement plan; (iv) standard formats for FGI and CI Grant Agreements and Project Implementation Agreements; (v) ZESF and ZRPF (as hereinafter defined) documents; (vi) Guidelines to the Preparation and Implementation of Agricultural Development Subprojects; and (vii) such other administrative, financial, technical and organizational arrangements as shall be required for the Project, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules thereto;

(uu) “Zanzibar Project Steering Committee (ZPSC)” means the body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for the purposes of overall oversight of Project activities in Zanzibar;

(vv) “Zanzibar Project Technical Committee (ZPTC)” means the body established in accordance with the provisions of Paragraph 2 of Schedule 4 to this Agreement for the purposes of provision of technical and advisory services to the Project in Zanzibar; and

(ww) “Zanzibar Resettlement Policy Framework (ZRPF)” means the framework agreed with the Association for the resettlement and compensation of persons affected by potential changes in land use associated with activities to be implemented under the Project in Zanzibar, to be adopted by the Borrower in accordance with the provisions of Paragraph 3 (c) (v) of Schedule 1 to this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-one million five hundred thousand Special Drawing Rights (SDR 41,500,000).

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, works and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals for an FGI or CI Grant for the benefit of a Beneficiary or grants to District Councils, to meet the



reasonable cost of goods, works and services required for Subprojects to be financed under Parts A and B.1 of the Project.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars two separate special deposit accounts (Special Account A for activities on the Mainland and Special Account B for activities in Zanzibar) in commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective 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 Advances 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 Advances shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2008 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 15 and November 15 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 15 and November 15 commencing November 15, 2013, and ending May 15, 2043. Each installment to and including the installment payable on May 15, 2023, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under Paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in Paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this Paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in Paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such

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

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

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

### **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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, social and agricultural 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 9.06 of the General Conditions and without limitation thereto, the Borrower shall 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 designed to ensure the continued achievement of the Project's objectives and afford the Association a reasonable opportunity to exchange views with the Borrower on the said plan.

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall for purposes of making the counterpart contribution to the financing of the Project:

(a) open and thereafter maintain in Tanzanian Shillings (TSh), until completion of the Project, two separate project accounts (Project Account A for activities on the Mainland and Project Account B for activities in Zanzibar) in commercial banks under terms and conditions satisfactory to the Association;

(b) at quarterly intervals, replenish the Project Accounts by amounts required to finance the Borrower's contribution for expenditures under the Project as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the funds deposited into the Project Accounts in accordance with Paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project.

#### **ARTICLE IV**

##### **Financial Covenants**

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

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in Paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in Paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and

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

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

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

- (i) maintain or cause to be maintained, in accordance with Paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one (1) 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 limitation upon the Borrower's progress reporting obligations set out in Section 4.01 of this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report (FMR), in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01(b) of the General Conditions, namely that the Borrower has established management information and financial management systems, in form and substance satisfactory to the Association, to ensure proper execution and monitoring of Project activities.

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**

**Representative of the Borrower; Addresses**

Section 7.01. The Minister of the Borrower responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance  
P. O. Box 9111  
Dar es Salaam  
TANZANIA

Cable address:	Telex:	Facsimile:
TREASURY Dar es Salaam	41329	(255-22) 211-7790

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dar es Salaam, United Republic of Tanzania as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Gray S. Mgonja

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy M. O'Connor

Authorized Representative



## 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:

<u>Category</u>	<u>Amount of the Credit (Allocated Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Grants:		100% of amounts disbursed
(a) Mainland		
Part A	26,305,000	
Part B.1	3,340,000	
(b) Zanzibar		
Part A	2,050,000	
Part B.1	513,000	
(2) Goods:	1,500,000	100% of foreign expenditures and 90% of local expenditures
(3) Works:	207,000	100% of foreign expenditures and 90% of local expenditures
(4) Consultants' services, including audits:	772,000	93%
(5) Training:	3,020,000	100%
(6) Incremental operating costs:	2,511,000	90%

<u>Category</u>	<u>Amount of the Credit (Allocated Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) Refund of Project Preparation Advances:	766,000	Amount due pursuant to Section 2.02(c) of this Agreement
(8) Unallocated:	516,000	
TOTAL	<u>41,500,000</u> =====	

2. For the purposes of this Schedule:

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

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

(c) “Incremental operating costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office space rental and utilities, office supplies, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of officials of the Borrower’s civil service.

3. Notwithstanding the provisions of Paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments under Category (1) until and unless the FGI / CI Grant or the grant to the District Council has been made in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in Paragraph 21 of Schedule 4 to this Agreement and in more detail in the PIP / ZPIP and the POM / ZPOM; and (c) payments made for expenditures under Category (1) (b) until and unless the Association has received evidence satisfactory to the Association that:

(ii) the ZPIP and the ZPOM, in form and substance satisfactory to the Association, have been prepared, adopted and disclosed in Zanzibar;

- (ii) the ZPCU, in form and with functions satisfactory to the Association, has been established and a Project Coordinator, Finance Manager, Procurement Specialist and Community Agricultural Development Officer with experience and qualifications satisfactory to the Association have been appointed thereto;
- (iii) the ZPSC and the ZPTC, in form and with functions satisfactory to the Association, have been established in accordance with the ZPIP and the ZPOM;
- (iv) management information and financial management systems, in form and substance satisfactory to the Association, to ensure proper execution and monitoring of Project activities have been established in Zanzibar;
- (v) the ZESF and the ZRPF, in form and substance satisfactory to the Association, have been prepared, adopted and disclosed in Zanzibar; and
- (vi) the ZPSC has adopted a capacity building program for Fiscal Year 2003 / 04 and agricultural development Subprojects for Fiscal Year 2004 / 05.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) grants, (b) goods not exceeding \$100,000 equivalent, (c) works not exceeding \$150,000 equivalent, (d) consulting firms not exceeding \$100,000 equivalent, (e) individual consultants not exceeding \$50,000 equivalent, (f) training, and (g) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to raise food production in a sustainable manner and improve rural incomes and assets of targeted households and groups through the implementation of small community-based agricultural activities, both on the Mainland and in Zanzibar.

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: Community Agricultural Development Subprojects

##### 1. Farmer Group Investment Subprojects (FGIS)

Provision of grants to Beneficiaries for: (i) the acquisition of agricultural inputs, including seeds, fertilizers, agrochemicals and inputs for livestock production; (ii) technological innovations such as small farming implements; and (iii) technical assistance and training associated with (i) and (ii).

##### 2. Community Investment Subprojects (CIS)

Provision of grants to Beneficiaries for: (i) agricultural development activities, including watershed management for soil and water conservation, restoration of soil fertility using rock phosphate, integrated nutrition strategies, integrated pest management techniques, improvement of traditional irrigation schemes, strengthening of rural input-output marketing and livestock management; and (ii) associated technical assistance and training.

#### Part B: Institutional Strengthening and Capacity Building

##### 1. District Level Institutional Strengthening and Capacity Building

Provision of grants to District Councils for District capacity building activities to support planning and implementation of FGIS and CIS, including:

(a) training of District Facilitation Teams (DFTs) formed by Participating Districts for the Project to impart skills in participatory preparation and appraisal of

Subprojects, establishment of public-private sector partnerships, basic financial management and project write-up skills, procurement skills, environmental and social impact assessment skills, farmer-research-extension-market linkages and basic computer skills;

(b) development and institutionalization of DADPs based on broad agricultural sector strategies and the framework for implementation to achieve sectoral objectives and targets at District level; and

(c) strengthening capacity of private sector engaged in marketing agricultural inputs, services and produce at village and District levels.

## 2. National Level Institutional Strengthening and Capacity Building

(a) Provision of support for national capacity building activities, including:

- (i) strengthening the capacity of ASLM staff in participatory approaches, financial management, procurement, information technology, and environmental and social impact assessment, as well as imparting negotiation, dialogue and networking skills, through the provision of technical advisory services and training; and
- (ii) carrying out of various studies, including beneficiary assessments and socio-economic surveys, through the provision of technical advisory services.

(b) Improvement of the policy and regulatory framework for enhanced private sector participation in the marketing of agricultural inputs and outputs, through the provision of technical advisory services and equipment, including;

- (i) preparation of a seed sub-sector vision and strategy;
- (ii) carrying out of an analytical review and stakeholder consultations for the development of a competitive fertilizer market;
- (iii) carrying out of reviews supporting the implementation of the Borrower's Plant Protection Act and regulations on veterinary drugs;

- (iv) carrying out of studies aimed at reviewing, harmonizing and rationalizing agricultural taxes, levies and fees in crop sub-sector and for implementation of recommendations arising from these studies; and
  - (v) development of competitive product markets by commissioning pilots in private-public partnerships in supply-chain management, private agribusiness enterprises, farmer-research-extension and related public technical services.
- (c) Strengthening Technological Linkages, including:
- (i) establishment of effective linkages with ongoing projects and programs in the agricultural sector;
  - (ii) strengthening networking and linkages with international agricultural organizations in order to continually access new technological options for dissemination to participating Beneficiaries;
  - (iii) strengthening linkages between Zonal Agricultural Research Centers (ZARCs) and extension services provided by District Councils to ensure participation of Beneficiaries in identification of ecology-specific research priorities and in testing options available;
  - (iv) rehabilitation and equipping of four strategic soil testing laboratories to enable them to respond efficiently to growing demands for chemical and physical analyses of soils from Beneficiaries; and
  - (v) acquisition of chemicals and laboratory equipment, including soil-testing and veterinary kits, for training purposes and for on-site diagnosis.
- (d) Project Coordination and Management
- (i) Strengthening the capacity of the Borrower to coordinate and manage activities under the Project through financing of operating costs of PCU, including cost of repair and maintenance

of vehicles, office equipment, staff salaries, NPSC and PTC meetings, monitoring and evaluation and office expenses;

- (ii) coordination of Project activities at Community, District and national levels, including field supervision by PCU and DFTs, carrying out of Beneficiary-led assessments, collection of baseline data, establishment of management information systems, carrying out of annual project reviews and a midterm review and establishment of an implementation completion report; and
- (iii) acquisition of vehicles and office equipment for Project coordination activities.

\* \* \*

The Project is expected to be completed by June 30, 2008.

### **SCHEDULE 3**

#### **Procurement**

##### 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) and the following provisions of Section I of this Schedule.

###### Part B: International Competitive Bidding

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each, and contracts for works shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods in the territory of the Borrower.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.3 and 3.4 of the Guidelines.



(b) Works estimated to cost less than \$150,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping and Procurement from UN Agencies

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not exceeding \$60,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of Paragraphs 3.5 and 3.6 of the Guidelines, or through the IAPSO in accordance with the provisions of Paragraph 3.9 of the Guidelines.

3. Community Participation in Procurement

Goods and works included in Subprojects and required for the Project shall be procured in accordance with Paragraph 3.15 of the Guidelines and pursuant to procedures satisfactory to the Association, as set forth in the POM / ZPOM.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not exceeding \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of Paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said Paragraph 1.

2. Prior Review

With respect to the first two contracts for goods estimated to cost less than \$100,000 equivalent, each contract for goods estimated to cost more than \$100,000 equivalent, the first two contracts for works estimated to cost less than \$150,000 equivalent, and each contract for works estimated to cost more than \$150,000 equivalent, the procedures set forth in Paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), Paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

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, and the provisions of Paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services under Part B.2 of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of Paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for consulting firm contracts for financial audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for consulting firm contracts estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of Paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants shall be procured under contracts awarded in accordance with the provisions of Paragraphs 5.1 through 5.3 of the Consultant Guidelines; and may be selected on a sole-source basis in accordance with the provisions of Paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

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 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates (the qualifications and experience in the case of employment of individual consultants to be selected on a sole source basis), 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. The provisions of Paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

## **SCHEDULE 4**

### **Implementation Program**

#### **A. Overall Project Oversight and Implementation Arrangements**

1. The Borrower shall maintain during at least the first three years of the implementation of the Project the PCU, pending arrangements, determined at midterm review, for mainstreaming the functions of the PCU within the ASLM.
2. The Borrower shall maintain at all times during the implementation of the Project the NPSC, the PTC, the ZPCU, the ZPSC, the ZPTC and DMTs in form and with functions satisfactory to the Association, and appoint thereto staff having experience and qualifications satisfactory to the Association.
3. The PCU shall include a Project Coordinator, Operations Officer, Finance Manager, Community Agricultural Development Officer, Monitoring and Evaluation Officer, Project Analyst, Private Sector Specialist and Procurement Specialist.
4. The NPSC shall be chaired by the Permanent Secretaries of the MAFS and the President's Office – Regional Administration and Local Government and shall comprise the Permanent Secretaries of the Ministry of Cooperatives and Marketing and the Ministry of Water and Livestock Development; the Principal Secretary of MANREC; the Program Coordinator of the Agricultural Sector Development Program (ASDP); representatives of the Ministry of Finance, the Prime Minister's Office, farmer associations and the NGO community; and the Project Coordinator as Secretary.
5. The PTC shall be chaired by the Director of Crop Development and shall comprise the Director of Research and Development from the MAFS; a representative of SUA; four recognized independent authorities in the fields of agricultural research, extension, farmer-to-market linkages and agricultural policy; and the Project Coordinator as Secretary.
6. The ZPCU shall comprise a Project Coordinator, Finance Manager, Procurement Specialist, Community Agricultural Development Officer, Monitoring and Evaluation Officer and Planning Officer.
7. The ZPSC shall be chaired by the Principal Secretary of MANREC and shall comprise the Principal Secretaries of the Ministry of Finance and Economic Affairs, the Ministry of State (President's Office), Local Government and Special Forces, the Ministry of Youth, Employment, Women's Development and Children, the Ministry of

Transport and Communication; the Ministry of Water, Construction, Energy and Land and the Ministry of Trade, Industry, Marketing and Tourism; representatives from the private sector and NGOs; and the Project Coordinator as Secretary.

8. The ZPTC shall be chaired by the Director of Planning of MANREC and shall comprise a Community Development Officer, Agronomist / Soil Fertility Expert, Agricultural Economist, Financial Management Specialist, Rural Sociologist, Extension Officer, Gender Specialist and Natural Resource Management Specialist.

9. Except as the Association shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the PIP / ZPIP and the POM / ZPOM; and (b) not amend or waive, or permit to be amended or waived, the PIP / ZPIP and the POM / ZPOM or any provision thereto, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

10. The PCU shall supervise and coordinate the overall implementation of the Project, including the management of financial resources and monitoring and evaluation, in accordance with the provisions of this Agreement and the POM.

11. The DMT shall review and approve Subprojects, aggregate approved Subprojects into the DADP and implement Part B of the Project on the Mainland.

12. The NPSC shall ensure that Project activities are implemented in a manner consistent with the development objective of the Project in accordance with the provisions of this Agreement and the POM.

13. The PTC shall provide advisory services and technical backstopping to the Project in accordance with the provisions of this Agreement and the POM.

14. The District Councils shall manage Project resources on the Mainland.

15. The MANREC shall review and approve Subprojects in Zanzibar, upon the recommendation of the DMTs, and supervise and coordinate the overall implementation of Project activities in Zanzibar in accordance with the provisions of this Agreement and the ZPOM.

16. The ZPSC shall ensure that Project activities in Zanzibar are implemented in a manner consistent with the development objective of the Project in accordance with the provisions of this Agreement and the ZPOM.

17. The ZPTC shall provide advisory services and technical backstopping to Project activities in Zanzibar in accordance with the provisions of this Agreement and the ZPOM.

18. The MANREC shall manage Project resources in Zanzibar.

B. Safeguard Policies

19. The Borrower shall:

(a) ensure that the Project is implemented in accordance with the provisions of the ESF / ZESF, the Subproject-specific IPMPs and RPFs, and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the aforementioned, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project; and

(b) ensure that resettlement actions plans are prepared, as needed, in accordance with the RPFs, and submitted to the Association for its approval, prior to implementation of such plans.

20. The Borrower shall ensure that the Project is implemented in accordance with practices applicable to international waterways that are satisfactory to the Association.

C. Procedures and Eligibility Criteria for Subprojects

21. No Subproject shall be eligible for financing out of the proceeds of the Credit unless the DMT / MANREC shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the POM / ZPOM, that the Subproject satisfies the eligibility criteria specified in more detail in the POM / ZPOM, which shall include the following:

(a) the Subproject shall be for agricultural investment and development, including watershed management for soil and water conservation, conservation tillage, efficient use of fertilizers, fuel-efficient technology, integrated plant nutrition strategies, use of rain harvesting techniques, improvement of traditional irrigation schemes, rehabilitation of rural infrastructure and livestock management;

(b) the Subproject shall be initiated by a Beneficiary duly represented, which Subproject shall have been endorsed by the Village Council / *Shehia* Advisory Council;

(c) the Subproject shall be economically, financially and technically viable in accordance with the standards specified in the PIP / ZPIP and the POM / ZPOM;

(d) except as the Association shall otherwise agree, the proceeds of the Credit shall provide no more than 50% of the cost of consumable agricultural inputs for an FGI Subproject, up to approximately \$25 equivalent per household for two farming seasons for a maximum of two years, and / or 80% of costs for technological innovations. Beneficiaries shall provide at least 50% of the cost of consumable inputs through deposits into their Farmer Group's bank account;

(e) except as the Association shall otherwise agree, the grant amount for FGIS shall not exceed \$8,000 equivalent per village, and for capacity building and training shall not exceed \$3,000 equivalent per village;

(f) except as the Association shall otherwise agree, the proceeds of the Credit shall provide a CI Grant in the form of materials, technical assistance and training. Beneficiaries shall provide no less than 20% of the total Subproject costs, and the proceeds of the Credit shall provide the difference;

(g) except as the Association shall otherwise agree, the grant amount for CIS shall not exceed \$30,000 equivalent per Subproject, and for capacity building and training shall not exceed \$5,000 equivalent per Subproject;

(h) except as the Association shall otherwise agree, the grant amount to District Councils for capacity building shall not exceed \$17,500 equivalent per District Council; and

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

22. FGI and CI Grant Agreements shall include the following terms and conditions:

(a) the obligation of the Beneficiary or District Council to carry out the FGI or CI Subproject or capacity building activity in accordance with the POM / ZPOM, with due diligence and efficiency and in accordance with sound technical, financial, environmental, social and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of said Subproject or activity;



(b) the requirement that: (A) the goods, works and services to be financed from the proceeds of the relevant Grant shall be procured in accordance with procedures acceptable to the Association; and (B) such goods, works and services shall be used exclusively in carrying out the Subproject or activity concerned;

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

(d) the right of the Borrower to obtain all information, as the Borrower or the Association shall reasonably request, regarding the administration, operation and financial management of the Subproject or activity; and

(e) the right of the Borrower, to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit upon failure by the Beneficiary to perform any of its obligations under the FGI or CI Grant Agreement.

D. Monitoring and Evaluation

Annual Work Plans and Budgets

23. The Borrower shall furnish to the Association as soon as available, but in any case not later than April 15 of each year, the annual work plan and budget for each subsequent Fiscal Year following FY 2003 / 04, of such scope and in such detail as the Association shall have reasonably requested, with confirmation of availability of the Borrower's contribution for expenditures under the Project for that Fiscal Year.

Annual Reviews

24. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators referred to in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) submit to the Association, no later than three (3) months after the close of each fiscal year, commencing FY 2003 / 04, an annual report reviewing the progress in Project implementation during the previous year, having regard to the indicators referred to in Paragraph (a) of this Section, and taking into consideration Project monitoring

reports prepared at Subproject, District and national levels pursuant to the guidelines and procedures in the PIP / ZPIP and the POM / ZPOM; and

(c) following the submission of each annual report, act promptly and diligently to take any corrective action agreed with the Association to remedy any shortcomings identified in Project implementation, in furtherance of the objectives of the Project.

#### Midterm Reviews

25. The Borrower shall:

(a) carry out jointly with the Association, no later than September 30, 2005, a mid-term review to assess the status of Project implementation, as measured against the project development indicators referred to in Schedule 6 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in the implementation of the Project; (ii) results of monitoring and evaluation activities; (iii) the Subprojects and the work plans; and (iv) progress on procurement and disbursements; and make adjustments to the Project and reallocate funds to improve performance, if needed. Such review shall also consider the possibility of the following: (i) expansion of the number of Participating Districts; (ii) increase of grant ceiling amounts; and (iii) mainstreaming of the functions of the PCU within the ASLM;

(b) prepare and furnish to the Association, three months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, 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 the 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, jointly with the Association, the report referred to in Paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1 (a) and 2 through 6 with respect to Special Account A and Category 1 (b) with respect to Special Account B, 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, works 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;

(c) the term “Authorized Allocation” means an amount equivalent to \$3,000,000 in respect of Special Account A and an amount equivalent to \$500,000 in respect of Special Account B, to be withdrawn from the Credit Account and deposited into the Special Accounts, 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 \$1,500,000 and \$250,000, respectively, 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 7,000,000.

2. Payments out of the respective Special Accounts 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, 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 respective 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 any 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 respective 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 any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(c) If the Association shall have determined at any time that any amount outstanding in any 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.

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

(e) 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.

## **SCHEDULE 6**

### **Performance Indicators**

#### Sector-Related Indicators

1. The proportion of the rural population below the poverty line is reduced from 57% at the baseline of 2001 / 02 Household Budget Survey (HBS) data to 29% by year 2010;
2. The proportion of food poor is reduced from 27% at the baseline of 2001 / 02 HBS data to 14% by year 2010; and
3. Project-financed infrastructure and productivity levels are sustained for at least five years after the Project's Closing Date.

#### Project Development Outcome / Impact Indicators

1. The agricultural productivity of participating households is increased by at least 10% by year 2008;
2. The rural incomes, assets and liquidity of participating households is increased by at least 10% by the end of Project implementation, as compared to control groups and pre-Project levels; and
3. At least 75% of Subprojects have implemented their ESMPs.