

CONFORMED COPY

GRANT NUMBER H117 BU

Development Grant Agreement

(Agricultural Rehabilitation and Sustainable Land Management Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 3, 2004

GRANT NUMBER H117 BU

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated August 3, 2004, between REPUBLIC OF BURUNDI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated June 10, 2004, from the Recipient describing a program of objectives, policies, and actions designed to rehabilitate its agricultural sector and promote sustainable land management in its territory (the Program) and declaring the Recipient's commitment to the execution of the Program;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), and which forms part of the Program, has requested the Association to assist in the financing of the Project;

(C) the Recipient has also requested the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank, to provide additional assistance towards the financing of the Project, and by the GEF Trust Fund Grant Agreement (the GEF Grant Agreement) of even date herewith between the Recipient and the Bank, the Bank is making a grant in an aggregate principal amount equivalent to \$5,000,000 (the GEF Grant); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant (the Development Grant) to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through

May 1, 2004) (the General Conditions), with the modifications set forth in Schedule 5 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) “Beneficiary” means: (i) a Community-Based Organization (as hereinafter defined) which has met the eligibility criteria set out in Section III.2 of Schedule 4 to this Agreement and in the Project Implementation Manual (as hereinafter defined) and to which or for whose benefit a Matching Grant is made or proposed to be made; or (ii) a Producer Organization (as hereinafter defined) which has met the eligibility criteria set out in Section III.2 of Schedule 4 to this Agreement and in the Project Implementation Manual (as hereinafter defined) and to which or for whose benefit a Matching Grant (as hereinafter defined) is made or proposed to be made;

(b) “Burundian Franc” or “BIF” means the currency of the Recipient;

(c) “CNTA” means Recipient’s National Center for Food Processing Technologies;

(d) “Communal Approval Committee” or “CAC” means the body to be established pursuant to Section III.1 (b) of Schedule 4 to this Agreement and whose responsibilities are set out in Section III.1 (c) of Schedule 4 to this Agreement;

(e) “Commune” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 1/29 of September 24, 1982, representing a designated area and population within the territory of the Recipient;

(f) “Community” means a socially cohesive local population in a Commune of the Recipient;

(g) “Community-Based Organization” or “CBO” means a group of Community members established and operating in a Commune of the Recipient pursuant to the Recipient’s Law No. 1/11 of April 18, 1992;

(h) “Dam Safety Analysis” or “DSA” means the part of the Environmental Assessment (as hereinafter defined) describing the dam safety measures to be implemented in the course of rehabilitation of each dam under the Project, including, in particular, institutional arrangements for the training of and the provision of necessary technical advisory services to the relevant Beneficiary and for the monitoring of such dam as appropriate;

(i) “Department of Environment” means the unit of the Ministry of Land Management, Environment, and Tourism (as hereinafter defined) responsible for elaboration of environmental norms and procedures, promotion of environmental actions, and operation of Environmental Information Center (as hereinafter defined);

(j) “Department of Rural Engineering and Land Preservation” means the unit of the Ministry of Land Management, Environment, and Tourism of the Recipient responsible for rural engineering and land preservation;

(k) “Eligible Categories” means Categories (1)-(6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(l) “Eligible Expenditures” means the expenditures for goods, works, and consultants’ services referred to in Section 2.02 (a) of this Agreement;

(m) “Environmental and Social Management Framework” or “ESMF” means the part of the EA which sets out the modalities to be followed in assessing the potential adverse environmental and social impact of a Subproject (as hereinafter defined) and the measures to be taken to offset, reduce, or mitigate such adverse impact;

(n) “Environmental Assessment” or “EA” means the assessment, dated January 2004, in form and substance satisfactory to the Association, describing the potential adverse environmental impact of the Project and measures for the offsetting, reduction, or mitigation of such impact, and including the following annexes thereto: (i) DSA, (ii) Environmental and Social Management Framework (as hereinafter defined), (iii) Environmental Management Plan (as hereinafter defined), (iv) Pest Management Plan (as hereinafter defined), and (v) Resettlement Policy Framework (as hereinafter defined), as the same may be updated from time to time with the concurrence of the Association, to be applied by the Recipient in accordance with the provisions of Section IV.1 of Schedule 4 to this Agreement;

(o) “Environmental Information Center” means the unit of the Department of Environment and Tourism responsible for collection and analysis of environmental data;

(p) “Environmental Management Plan” or “EMP” means the part of the EA which sets out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts;

(q) “FACAGRO” means Faculty of Agronomy of University of Burundi;

(r) “FAO” means the Food and Agriculture Organization;

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

(t) “Fiscal Year (FY)” means the Recipient’s fiscal year, which runs from January 1 through December 31 each year;

(u) “General Direction of Monitoring and Evaluation” means the unit of the Ministry of Agriculture and Livestock (as hereinafter defined) of the Recipient responsible for monitoring and evaluation;

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

(w) “IGEBU” means Geographic Institute of Burundi;

(x) “INECN” means the Recipient’s National Institute for Environment and Nature Conservation;

(y) “Inter-Provincial Project Coordination and Management Unit” or “IPCMU” means the unit established within the Ministry of Agriculture and Livestock (as hereinafter defined) pursuant to the Recipient’s Law No. 710/359/2004 of May 19, 2004

for purposes of Province-level coordination and management of the Project in accordance with the provisions of Section II.4 (b) of Schedule 4 to this Agreement and the Project Implementation Manual;

(z) “IRAZ” means the Recipient’s Institute for Agronomic and Zoo-Technical Research;

(aa) “ISABU” means the Burundian Institute for Agronomic Sciences;

(bb) “Local Implementing Agency” or “LIA” means a Provincial Agriculture and Livestock Department (as hereinafter defined) or a civil society organization, such as an NGO (as hereinafter defined), rural micro-finance institution, private agricultural enterprise, agricultural consulting firm, or Producer Organization (as hereinafter defined) established and operating under the Recipient’s laws, whose responsibilities are set out in Section II.5 of Schedule 4 to this Agreement and to which implementation of the Project in Provinces may be contracted out by IPCMUs;

(cc) “Matching Grant Agreement” means an agreement between the Recipient represented by the NPCMU (hereinafter defined) and a Beneficiary, setting forth the terms and conditions under which proceeds of the Development Grant or GEF Grant shall be made available to the Beneficiary for the purpose of financing Subprojects;

(dd) “Matching Grant” means a grant made or proposed to be made by the Recipient to a Beneficiary for the purpose of financing Subprojects;

(ee) “Ministry of Agriculture and Livestock” or “MAE” means the ministry of the Recipient responsible for agriculture and livestock;

(ff) “Ministry of Communal Development” means the ministry of the Recipient responsible for community development;

(gg) “Ministry of Development Planning and Reconstruction” means the ministry of the Recipient responsible for development planning and reconstruction;

(hh) “Ministry of Finance” means the ministry of the Recipient responsible for finance;

(ii) “Ministry of Land Management, Environment, and Tourism” or “MATET” means the ministry of the Recipient responsible for land management, environment, and tourism;

(jj) “Ministry of Reinsertion and Reintegration of Internally Displaced Persons and Returnees” or “MRRDR” means the ministry of the Recipient responsible for reinsertion and reintegration of internally displaced persons and returnees;

(kk) “Ministry of Social Action and Promotion of Women” means the ministry of the Recipient responsible for social action and the promotion of women;

(ll) “National Framework for Monitoring and Evaluation of Land Degradation” means the Recipient’s framework for purposes of monitoring and evaluation of land degradation, to be developed under Part B.2 (d) of the Project;

(mm) “National Land Management Institute” means the Recipient’s institution for land management policy research and economic, technical, and environmental analysis of land use and management, an assessment of establishment of which to be carried out under Part B.2 (d) of the Project;

(nn) “National Land Use and Management Plan” means the Recipient’s plan for land use and management, to be developed under Part B.2 (d) of the Project;

(oo) “National Project Coordination and Management Unit” or “NPCMU” means the unit established within MAE pursuant to the Recipient’s Law No. 710/359/2004 of May 19, 2004 for purposes of overall coordination and management of the Project in accordance with the provisions of Section II.3 (b) of Schedule 4 to this Agreement and the Project Implementation Manual;

(pp) “National Project Steering Committee” or “NPSC” means the policy-making body established pursuant to the Recipient’s Law No. 710/360/2004 of May 19, 2004 for purposes of overall oversight of the Project in accordance with the provisions of Section II.1 (b) of Schedule 4 to this Agreement and the Project Implementation Manual;

(qq) “NGO” means a non-governmental organization established and operating as such under the laws of the Recipient;

(rr) “Pest Management Plan” or “PMP” means the part of the EA describing the measures to be taken for development and implementation of integrated pest management and safe handling of pesticides in the course of Project implementation;

(ss) “Procurement Plan” means the Recipient’s procurement plan, dated May 14, 2004, covering the initial eighteen (18)-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(tt) “Producer Organization” or “PO” means an organization established and operating as a cooperative under the Recipient’s Law No. 1/002 of March 6, 1996, and comprising at least five (5) producers, whether farmers, livestock breeders, or non-farmers / livestock breeders;

(uu) “Project Implementation Manual” or “PIM” means the manual, in form and substance satisfactory to the Association, adopted by the Recipient, and outlining financial management, procurement, and disbursement arrangements, environmental and social management and monitoring arrangements, and other administrative and organizational arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the PIM;

(vv) “Project Preparation Advances” means the two project preparation advances granted by the Association to the Recipient pursuant to: (i) the Letter Agreement signed on behalf of the Association on June 6, 2003 and on behalf of the Recipient on June 24, 2003; and (ii) the Letter Agreement signed on behalf of the Association on March 25, 2004 and on behalf of the Recipient on April 7, 2004;

(ww) “Province” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 1/29 of September 24, 1982, representing a designated area and population within the territory of the Recipient;

(xx) “Provincial Agriculture and Livestock Department” or “DPAE” means a Province-level department of the MAE;

(yy) “Provincial Approval Committee” or “PAC” means the Province-level body to be established in accordance with Section III.1 (b) of Schedule 4 to this Agreement and whose responsibilities are set out in Section III.1 (c) of Schedule 4 to this Agreement;

(zz) “Report-Based Disbursements” means the Recipient’s option for withdrawal for funds from the Grant Account referred to in Part A.6 of Schedule 1 to this Agreement;

(aaa) “Resettlement Policy Framework” or “RPF” means the part of the EA describing the procedures to be followed in the event that land acquisition is made in the course of Project implementation which causes involuntary resettlement and / or loss of livelihoods of the displaced persons, and for offsetting, reduction, or mitigation of any adverse impact of such resettlement and / or loss;

(bbb) “Solidarity Chains” means the Recipient’s policy launched in March 1996, which is designed to test management of participatory land management activities, including an in-kind revolving fund;

(ccc) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement; and

(ddd) “Subproject” means a development activity proposed by a Beneficiary under Part A.1 of the Project and financed or to be financed through a Matching Grant made out of the proceeds of the Development Grant or the GEF Grant;

(eee) “Technical Monitoring Committee (TMC)” means the body established in accordance with the provisions of Section II.2 (a) of Schedule 4 to this Agreement for the purposes of monitoring of the Project;

(fff) “Technical Monitoring Sub-Committee (TMS)” means the body established in accordance with the provisions of Section II.2 (a) of Schedule 4 to this Agreement for the purposes of monitoring of the Project; and

(ggg) “Unit of Planning, Coordination of Studies, Programming, and Budgets” means the unit of the MAE responsible for planning, coordination of studies, programming, and budgets.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Development Grant in an amount in various currencies equivalent to twenty-four million Special Drawing Rights (24,000,000).

Section 2.02. (a) The amount of the Development Grant may be withdrawn from the Development Grant 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 carrying out the Project and to be financed out of the proceeds of the Development Grant; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made under Matching Grants in respect of the reasonable cost of goods, works, and services required for Subprojects and in respect of which the withdrawal from the Development Grant Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Development Grant 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 un-withdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Development Grant, 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 (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Development Grant 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 2.04 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 Recipient; and (iii) in the currency specified in this Agreement or

in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.05. The Closing Date of the Development Grant shall be October 31, 2010, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall carry out the Project, through the MAE, with due diligence and efficiency and in conformity with appropriate technical, financial, administrative, and environmental 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) 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 Development Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with terms of reference acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall 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 Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Account for each Fiscal Year, commencing with the Fiscal Year in which the first withdrawal under the Project Preparation Advance was made, 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 (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, in scope and detail satisfactory to the Association; and

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

(c) For all expenditures with respect to which withdrawals from the Grant Account were Report-Based Disbursements or made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain, 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 Development Grant 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 reports or statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section V of Schedule 4 to this Agreement, the Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association an FMR, in form and substance satisfactory to the Association, which:

- (i) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Development Grant, and explains variances between the actual and projected sources and 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 previously forecast and actual implementation targets; 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 events are specified:

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

(b) the regulation or regulations, as the case may be, establishing the NPCMU and IPCMUs shall have been amended, abrogated, repealed, or waived so as to, in the opinion of the Association, materially or adversely affect the ability of the NPCMU or any of the IPCMUs to perform any of its respective obligations in the pursuit of the objective of the Project; and

- (c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the GEF Grant made to the Recipient for the financing of the Project shall have been suspended, canceled, or terminated in whole or in part, pursuant to the terms of the GEF Grant Agreement.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under the GEF Grant Agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the GEF Grant Agreement has been duly executed and ratified and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following is specified as an additional matter, 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, namely that the GEF Grant Agreement has been duly authorized, ratified, and published by the Recipient and is legally binding 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.

Section 6.04. This Agreement shall continue in effect until the Development Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of the Recipient responsible for Finance is designated as representative of the Recipient 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 Recipient:

Ministry of Finance
P. O. Box 1830
Bujumbura
Republic of Burundi

Facsimile:

(257) 223 827

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BURUNDI

By /s/ Antoine Ntamobwa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Development Grant

A. General

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

<u>Category</u>	<u>Amount of the Development Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Matching Grants	14,000,000	100% of amounts disbursed
(2) Goods	1,410,000	100%
(3) Works	180,000	100%
(4) Consultants' services (including audits)	5,030,000	100%
(5) Training	850,000	100%
(6) Incremental operating costs	570,000	100%
(7) Refunding of Project Preparation Advances	800,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	1,160,0000	
	<hr/>	
TOTAL	<u>24,000,000</u>	

2. For the purposes of this Schedule, "Incremental operating costs" means the incremental expenses incurred by the NPCMU and the IPCMUs on account of Project

implementation, management, and monitoring, including office space rental, utilities, and 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 Recipient's civil service.

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

(a) expenditures prior to the date of this Agreement; and

(b) expenditures under Category (1) of the table in Part A.1 of this Schedule, for any Matching Grant, unless such Matching Grant has been made in accordance with the provisions set forth or referred to in Section III.2 of Schedule 4 to this Agreement and with the provisions of the PIM, and a Matching Grant Agreement, on the terms and conditions specified in Section III.3 of Schedule 4 to this Agreement and in the PIM, has been duly executed by and is binding on the parties thereto, and has become effective.

4. It is understood that the percentages in the table in Part A.1 of this Schedule have been calculated on the basis of the provisions in the letter from the Recipient's Minister of Finance to the Association, dated June 4, 2004, which exempt the goods, works, and services to be financed under the Project from taxes and customs duties levied by the Recipient. If any change is made to said letter which has the effect of levying taxes or customs duties on such goods, works, or services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Development Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$150,000 equivalent each; (b) works under contracts costing less than \$200,000 equivalent each; (c) services of consulting firms under contracts costing less than \$100,000 equivalent each; (d) services of individual consultants under contracts costing less than \$50,000 equivalent each; (e) Matching Grants; (f) training not subject to contract; and (g) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

6. The Recipient may request withdrawals from the Development Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-Based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Development Grant Account, the Recipient shall

submit to the Association only a statement with the projected sources and applications of funds for the Project for the six (6)-month period following the date of such request.

B. Special Account

1. The Recipient may, for the purposes of Categories (1)-(6) of the table in Part A.1 of this Schedule, open and maintain in US Dollars a special deposit account in a commercial bank satisfactory to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against seizure, set-off, or attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Development Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-Based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-Based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account if:

(a) the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-Based Disbursements;

(b) the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Development Grant Account; or

(c) the Recipient 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts

reflecting expenditures with respect to which withdrawals were Report-Based Disbursements or made on the basis of statements of expenditure.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Development Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six (6) month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Development Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

Annex A

to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Report-Based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$2,000,000 equivalent to be withdrawn from the Development Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Schedule.

2. 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 Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Development Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Development Grant Account and deposit into the Special Account such amount as the Recipient 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Development Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total un-withdrawn amount of the Development Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Development Grant Account of the remaining un-withdrawn amount of the Development Grant shall follow

such procedures as the Association shall specify by notice to the Recipient. 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.

**Annex B
to
SCHEDULE 1**

Operation of Special Account

When Withdrawals Are Report-Based Disbursements

1. Withdrawals from the Development Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Development Grant Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Development Grant, the Association shall, on behalf of the Recipient, withdraw from the Development Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six (6)-month period following the date of such reports.
3. The Association shall not be required to make further deposits into the Special Account, once the total un-withdrawn amount of the Development Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Development Grant Account of the remaining un-withdrawn amount of the Development Grant shall follow such procedures as the Association shall specify by notice to the Recipient. 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to contribute to the Recipient's goal of restoring the productive capacity and livelihoods of its rural population through economically and ecologically sustainable investments.

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

A. Agricultural Production and Sustainable Land Management

1. Matching Grants to CBOs and POs

- (a) financing of infrastructure such as:
 - (i) selected small-scale irrigated horticulture;
 - (ii) low-cost irrigation infrastructure and equipment;
 - (iii) water management facilities;
 - (iv) bean floating tanks and scales for coffee producers;
 - (v) planting material, and seed crushing units and other equipment for nurseries;
 - (vi) cooling tanks and generators for milk producers;
 - (vii) artisan seed crushing units and other small equipment for palm oil producers; and
 - (viii) modern beehives and beekeeping equipment; and
- (b) financing of sustainable agricultural and land management activities such as:

- (i) scaling up of Solidarity Chains Program and of artificial insemination activities in livestock sector;
 - (ii) provision of high quality seed and planting material, including cover plants, and;
 - (iii) improvement of micro-watershed and soil management, native species conservation, and degraded hillside and pasture renewal, including through construction of windbreaks, grassed waterways, riparian buffer zones, crop cover, and filter strips for reduction of wind and water erosion; and
- (c) financing of non-farm income-generating activities such as:
- (i) handicraft making;
 - (ii) agricultural tool repair;
 - (iii) brick and tile making;
 - (iv) carpentry; and
 - (v) tailoring.

2. Internally displaced persons and returnees

(a) provision of seed, inputs, and farming and cattle rearing implements to smallholders; and

(b) provision of emergency kits comprising cattle and small agricultural and livestock equipment.

B. Capacity Building and Institutional Strengthening

1. Provision of technical advisory services, including training, workshops, and study tours, to CBOs, POs, and LIAs for:

(a) strengthening of their organizational, technical, and management capacity;

- (b) representation of Beneficiaries on the NPSC;
- (c) development of professional and inter-professional organizations for better management of key agricultural sub-sectors; and
- (d) promotion of understanding of broader environmental management issues relating to land degradation and swamp land utilization.

2. Key public services

(a) provision of goods and technical advisory services, including training, to DPAAE, General Directorate of Monitoring and Evaluation, and Unit of Planning, Coordination of Studies, Programming, and Budgets, for development of program planning capacity and effective management systems for monitoring of agricultural investments;

(b) provision by DPAAE of goods for and training in:

- (i) sustainable land management to local staff with Project responsibilities;
- (ii) agro-forestry to forest technicians;
- (iii) wetlands management to rural engineers;
- (iv) land management to key farmers in each hill area;
- (v) land management to forest inspectors; and
- (vi) environmental aspects of wetlands management to staff.

(c) provision of goods and technical advisory services in information management to Department of Rural Engineering and Land Preservation;

(d) provision of goods and technical advisory services to MATET for strengthening of capacity for integrated land use planning and implementation:

- (i) development of National Framework for Monitoring and Evaluation of Land Degradation;

- (ii) updating of global information and environmental monitoring and evaluation systems;
 - (iii) implementation of participatory institutional mechanisms for collaboration with DPAA, IGEBU, INECN, IRAZ, and ISABU;
 - (iv) development of National Land Use and Management Plan; and
 - (v) assessment of establishment of National Land Management Institute.
- (e) provision of goods and technical advisory services to MAE and MATET for:
- (i) assimilation of sustainable land management concepts;
 - (ii) development of integrated approaches to land management; and
 - (iii) institutional and policy gap analysis, including in relation to planning, resource allocation, and monitoring and coordination of use of natural resources.
- (f) provision of goods and technical advisory services to Department of Environment as follows:
- (i) support to geographic information system;
 - (ii) training in environmental assessment to five (5) staff members;
 - (iii) support to Project environmental management staff;
 - (iv) training in development of environmental norms and procedures, including in relation to air and water quality standards and pesticide use; and
 - (v) support to Environmental Information Center.
- (g) provision of goods and technical advisory services to research agencies, including CNTA, FACAGRO, IRAZ, and ISABU, as follows:

- (i) for resolution of constraints to agricultural productivity, and in area of sustainable land management; and
- (ii) for development of new technologies.

C. Project Coordination and Management

Provision of goods, works, and technical advisory services to:

- (a) NPCMU and IPCMUs for Project coordination and management, monitoring, carrying out of audits and periodic evaluations, and reporting; and
- (b) NPCMU for monitoring of land management and environmental indicators and establishment of participatory implementation processes.

* * *

The Project is expected to be completed by April 30, 2010.

SCHEDULE 3

Procurement and Consultants' Services

I. General

A. All goods, works, and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

II. Particular Methods of Procurement of Goods, Works, and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding in accordance with the provisions of Section II of the Procurement Guidelines, and the following additional procedure.

Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract may be procured under

contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of paragraphs 3.1, 3.3, and 3.4 of the Procurement Guidelines.

2. Shopping

Goods and works estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraphs 3.1 and 3.5 of the Procurement Guidelines.

3. Procurement from UN Agencies

Goods, including computers and vehicles, estimated to cost less than \$100,000 equivalent per contract may be procured from the IAPSO in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

4. Community Participation

Goods, works, and services required for Part A of the Project may be procured on the basis of community participation in accordance with procedures set forth in the PIM.

III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection

1. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection

Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services 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, 3.7, and 3.8 of the Consultant Guidelines.

3. Single Source Selection

Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants

Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.

IV. Review by the Association of Procurement Decisions

Prior Review. Except as the Association shall otherwise determine by notice to the Recipient, the following prior review procedures shall apply:

1. Goods, Works, and Services (other than Consultants' Services)

(a) The prior review procedures set forth in paragraphs 2, 3, and 5 of Appendix 1 to the Procurement Guidelines shall apply to: (a) each contract for goods estimated to cost the equivalent of \$150,000 or more, and the first contract for goods awarded on the basis of National Competitive Bidding; (b) each contract for works estimated to cost the equivalent of \$200,000 or more, the first contract for works awarded on the basis of National Competitive Bidding, and the first contract for works awarded on the basis of Shopping; and (c) each contract awarded on the basis of community participation estimated to cost the equivalent of \$50,000 or more, and the first contract awarded on the basis of community participation estimated to cost less than \$50,000 equivalent;

(b) The following prior review procedures shall apply to each contract to be procured on the basis of direct contracting: (i) prior to the execution of the contract, the Recipient shall provide to the Association a copy of the specifications and the draft contract for its approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the procedures set forth in paragraphs 2 (h) and 3 of Appendix 1 to the Consultant Guidelines shall apply.

2. Consultants' Services Provided by Firms

(a) The prior review procedures set forth in paragraphs 2, 3, and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more.

(b) The following prior review procedures shall apply to each contract for consultants' services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference, and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. Consultants' Services Provided by Individual Consultants.

(a) The prior review procedures set forth in paragraphs 2, 3, and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by individual consultants estimated to cost the equivalent of \$50,000 or more.

(b) The following prior review procedures shall apply to each contract for consultants' services provided by an individual consultant to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference, and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

B. Post Review

1. With respect to each contract for goods, works, or services (other than consultants' services) not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants' services not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

I. Implementation Arrangements

1. Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the PIM; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive the PIM, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect the implementation of the Project or achievement of the objective thereof.

2. Without limitation upon the provisions of Paragraph 1 of this Section, the PIM shall include regulations pertaining to: (a) Project monitoring and evaluation; (b) Subproject eligibility and procedures; (c) financial management; (d) procurement; and (e) such other technical, environmental, social, organizational, and administrative arrangements as shall be required for Project implementation.

II. Institutional Arrangements

1. National Project Steering Committee

(a) The Recipient shall maintain, until completion of the Project, the NPSC and two NPSSs, in form and substance, and with resources and functions satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 1 (a) of this Section, the NPSC shall, *inter alia*: (i) carry out annual reviews of proposals, work plans, and budgets prepared by the NPCMU and ensure their consistency with the Program; (ii) review progress made towards achieving the Project objective; (iii) facilitate the coordination of Project activities among the entities represented in the NPSC, and make recommendations for the removal of any obstacles to Project implementation; and (iv) provide comments on reports and reviews prepared by the NPCMU for the benefit of the Association.

(c) Without limitation upon the provisions of paragraph 1 (a) of this Section, the NPSC shall meet at regular intervals to review the carrying out of Project activities and their compliance with the strategy set forth in the Program and invite, as appropriate, representatives of other donors to assist at at least any one said meeting each year.

(d) Without limitation upon the provisions of paragraph 1 (a) of this Section, the NPSC shall comprise members duly representing the following entities: (i) MAE; (ii) MATET; (iii) Ministry of Communal Development; (iv) Ministry of Development Planning and Reconstruction; (v) Ministry of Finance; (vi) Ministry of Social Action and Promotion of Women; and (vii) Ministry of Reinstallation of Displaced and Returnees; (viii) the Director General of ISABU; (ix) the Project Coordinator; and (x) representatives of the private sector and NGOs, as the case may be.

2. Technical Monitoring Committee and Sub-Committees

(a) The Recipient shall maintain, until completion of the Project, the TMC and two TMSs, in form and substance, and with resources and functions satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 2 (a) of this Section, the TMC shall, *inter alia*: (i) monitor and guide implementation of the Project; and (ii) review documents to be submitted to the NPSC such as annual work plans and budgets.

(c) Without limitation upon the provisions of paragraph 2 (a) of this Section, the TMC shall comprise representatives of CBOs, MAE, MATET, MRRDR, INECN, IRAZ, ISABU, NGOs, POs, and University of Burundi.

(d) Without limitation upon the provisions of paragraph 2 (a) of this Section, the two TMSs shall monitor and guide implementation of Parts A.1 (e) and 2, respectively, of the Project.

(e) Without limitation upon the provisions of paragraph 2 (a) of this Section, the two TMSs shall be headed by MATET and MRRDR, respectively.

3. National Project Coordination and Management Unit

(a) The Recipient shall maintain, until completion of the Project, the NPCMU, in form and substance, and with resources and functions satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 3 (a) of this Section, the NPCMU shall be responsible for the overall administration, coordination, implementation, environmental and social management, financial management, procurement, and monitoring and evaluation of the Project.

(c) Without limitation upon the provisions of paragraph 3 (a) of this Section, the NPCMU shall comprise staff with qualifications, experience, and terms of reference satisfactory to the Association, including: (i) a Project Coordinator; (ii) an institutional and communal development specialist; (iii) a rural development specialist; (iv) a sustainable land management specialist; (v) a monitoring and evaluation specialist; (vi) a financial management specialist; (vii) a procurement specialist; (viii) an accountant; and (ix) support staff.

4. Inter-Provincial Project Coordination and Management Units

(a) The Recipient shall maintain, until Project completion, an IPCMU in each of the Recipient's following Provinces: (i) Makamba (covering Bururi, Makamba, and Rutana Provinces); (ii) Muyinga (covering Cankuzo, Kirundo, Muyinga, and Ngozi Provinces); and (iii) Muramvya (covering Bubanza, Muramvya, and Mwaro Provinces).

(b) Without limitation upon the provisions of paragraph 4 (a) of this Section, the IPCMUs shall be responsible, under the guidance of the NPCMU, for the day-to-day administration, coordination, implementation, environmental management, financial management, procurement, and monitoring of Project activities in their respective Provinces.

(c) Without limitation upon the provisions of paragraph 4 (a) of this Section, each IPCMU shall comprise the following staff, with qualifications, experience, and terms of reference satisfactory to the Association: (i) an Inter-Provincial Coordinator; (ii) a monitoring and evaluation specialist; and (iii) a secretary / accountant.

5. Local Implementing Agencies

Before Project implementation in a Province, the NPCMU shall enter into an agreement with an LIA for such LIA to promote and provide guidance on Project activities relating to CBOs and POs in such Province.

III. Subprojects

1. General

(a) Without limitation upon the provisions of Section I of this Schedule, the Recipient shall appraise, approve, and monitor the Subprojects under Part A.1 of the Project in accordance with the provisions of this Section III and the PIM.

(b) The Recipient shall establish the PAC and CAC, in form and substance and with resources and functions satisfactory to the Association.

(c) Without limitation upon the provisions of paragraph 1 (b) of this Section, the PAC and CAC shall appraise and approve Subprojects costing more than \$5,000 equivalent and up to \$5,000 equivalent, respectively.

2. Eligibility Criteria and Procedures for Subprojects

(a) No proposed Subproject shall be eligible for financing under Part A.1 of the Project unless the respective approval committee has determined, on the basis of an appraisal conducted in accordance with this Section and the PIM, that the proposed Subproject satisfies the eligibility criteria specified below and in further detail in the PIM, which shall include, *inter alia*, the following:

- (i) the proposed Subproject shall be initiated by a CBO or PO which meets the eligibility criteria specified in the PIM, and such CBO or PO shall be eligible for subsequent Matching Grants if it has completed the Subproject to the satisfaction of the Recipient and the Association;
- (ii) the proposed Subproject shall be for, but not limited to, activities set forth in Part A.1 of the Project and further detailed in the PIM;
- (iii) the investment cost of each proposed Subproject approved by the CAC shall not exceed \$5,000 equivalent and each proposed Subproject approved by the PAC shall not exceed \$30,000 equivalent, except as previously agreed with the Association; and
- (iv) the financing of the proposed Subproject shall be fully covered by the sum of the Matching Grant and the Beneficiary's contribution.

(b) No proposed Subproject shall be eligible for financing under Part A.1 of the Project if the respective committee has determined, on the basis of an appraisal conducted in accordance with this Section and the PIM, that the proposed Subproject satisfies any of the non-eligibility criteria specified below and in further detail in the PIM, which shall include, *inter alia*, the following:

- (i) the proposed Subproject shall be for activities relating to the production of tobacco or hallucinogen plants; and

- (ii) the proposed Subproject shall be for investments not proven to be in compliance with applicable land law.

3. Terms and Conditions of Matching Grant Agreements

(a) A Subproject shall be carried out pursuant to a Matching Grant Agreement, to be concluded between the respective IPCMU on behalf of the Recipient and a Beneficiary, under terms and conditions, satisfactory to the Association, described in further detail in the PIM, which, *inter alia*, shall include the following:

- (i) the obligation of the Beneficiary to contribute, in cash or in kind, at least 5% of the projected Subproject costs;
- (ii) the obligation of the Beneficiary to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound environmental, engineering, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance sound accounting practices, the resources, operations, and expenditures relating to the Subproject;
- (iii) the requirement that the goods, works, and consultants' services to be financed from the proceeds of the Matching Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the Subproject; and
- (iv) the right of the IPCMU, on behalf of the Recipient, and of the Recipient in its own right, to: (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants, and construction included in the Subproject, the operations thereof, and any relevant records and documents; (B) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of Subprojects; and (C) suspend or terminate the right of any Beneficiary to use the proceeds of the Matching Grant upon failure by the Beneficiary to perform any of its obligations under the Matching Grant Agreement;

(b) the IPCMU or the Recipient, as the case may be, shall exercise its rights under the Matching Grant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project objective, and, except as the

Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Matching Grant Agreement or any substantive provision thereof.

IV. Safeguard Policies

The Recipient shall ensure that the Project is implemented in accordance with the provisions of the EA, including the DSA, ESMF, EMP, PMP, and RPF, and, except as the Association shall otherwise agree, the Recipient 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 Project implementation.

V. Monitoring and Evaluation

Annual Work Plans and Budgets

1. The Recipient shall furnish to the Association for approval by the Association as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for each subsequent Fiscal Year following FY 2004, of such scope and in such detail as the Association shall have reasonably requested.

Semi-Annual Reviews

2. The Recipient shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30 and October 31 in each year, for a period of twenty-four (24) months commencing the Effective Date, and on or about June 30 in each year thereafter, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review with the Association, by July 31 and November 30 in each year, or such later dates as the Association shall request, for a period of twenty-four (24) months commencing the Effective Date, and on or about July 31 in each year thereafter, or such later date as the Association shall request, the report referred to in paragraph (b)

of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Midterm Review

3. The Recipient shall:

(a) carry out jointly with the Association, on or about the date thirty-six (36) months after the Effective Date, a comprehensive review (Midterm Review) to assess the status of Project implementation. Such review shall be aimed at: (i) documenting progress towards the Project objective, including as measured against the performance indicators set forth in Schedule 6 to this Agreement; (ii) identifying and resolving obstacles to Project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding activities to reflect progress achieved in Project implementation as of the date of review;

(b) invite the NPSC, NPCMU, and IPCMUs to participate, and take all actions it considers necessary to ensure the participation of representatives of Beneficiaries and donors interested in Program implementation in such Midterm Review;

(c) not later than one (1) month before such review, prepare, and furnish to the Association 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 objective thereof during the period following such date; and

(d) review, jointly with the Association, the report referred to in paragraph (b) of this Section and promptly thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, and 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

- (a) The term “Borrower” is modified to read “Recipient”;
- (b) The term “Credit” is modified to read “Grant”;
- (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”;
- (d) The term “Credit Account” is modified to read “Grant Account”; and
- (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:

(a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02 Currencies in which Commitment Charges are Payable

- (a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02(c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

(c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. The text in Section 5.01 which reads “(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories: or (b)” is deleted in its entirety.

5. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

6. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

7. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, the Recipient shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Association of their respective obligations under the Development Grant Agreement and the accomplishment of the purposes of the Grant.”

8. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

SCHEDULE 6

Performance Indicators

The Recipient shall implement the Project in accordance with the performance indicators set forth below:

A. Outcomes by Midterm Review

1. Sustainable land management practices are being implemented and agricultural ecosystems are being protected and restored in at least 7,000 hectares of agricultural land in the Project implementation area.

2. Land degradation-related activities:

(a) Erosion control measures are in place in mountainous land in Project implementation area, and sustainable agricultural practices are in place in lower areas in at least 5% of farmland in the Western Escarpment Zone of the territory of the Recipient;

(b) Pasture management and erosion control through reforestation have improved in at least 5% of pastureland in the Congo - Nile Divide Zone of the territory of the Recipient;

(c) Agro-sylvan-pastoral production systems have been implemented in at least 5% of cultivated land in the Central Plateau of the territory of the Recipient; and

(d) Improved vegetation cover (windbreaks) and water harvesting techniques have been introduced in at least 5% of the Depression Areas (East Zone) of the territory of the Recipient.

3. At least 80% of returnees and displaced persons having received emergency kits under Part A.2 of the Project have returned to agricultural production.

B. Outputs by Midterm Review

1. At least 1,500 Subprojects have been approved and assessed by the Association through a beneficiary assessment as having been or being satisfactorily implemented.

2. At least 25% of completed Subprojects have introduced sustainable land management practices in at least 0.10 hectares of agricultural holdings each.

3. At least 20,000 returnees and displaced persons have received support under the Project.

4. At least fifteen (15) agricultural applied or adaptive research technologies have been tested and adapted to local conditions under the Project.

5. At least 80% of the annual capacity building plans formulated by CBOs, POs, and LIAs and included in the annual work plans referred to in Section V.1 of Schedule 4 to this Agreement have been assessed by the Association as having been or being satisfactorily implemented.

6. The EMP has been implemented.

C. Outcomes by Project Completion

1. At least 75% of Beneficiaries continue to operate in accordance with the Project objective and follow sustainable land and environmental management practices.

2. Sustainable land management practices established in the course of Project implementation have stabilized sediment deposition and release in at least three (3) micro-watersheds in the Project implementation area.

3. Sustainable land management practices are being implemented and agricultural ecosystems are being protected and restored in at least 18,000 hectares of agricultural land in the Project implementation area.

4. Land degradation-related activities:

(a) Erosion control measures are in place in mountainous land in the Project implementation area, and sustainable agricultural practices are in place in lower areas in at least 10% of farmland in the Western Escarpment Zone of the territory of the Recipient;

(b) Pasture management and erosion control through reforestation have improved in at least 10% of pastureland in the Congo - Nile Divide Zone of the territory of the Recipient;

(c) Agro-sylvan-pastoral production systems have been implemented in at least 10% of cultivated land in the Central Plateau of the territory of the Recipient; and

(d) Improved vegetation cover (windbreaks) and water harvesting techniques have been introduced in at least 10% of the Depression Areas (East Zone) of the territory of the Recipient.

D. Outputs by Project Completion

1. At least 4,000 Subprojects have been approved and assessed by the Association through a beneficiary assessment as having been or being satisfactorily implemented.
 2. At least 50% of completed Subprojects have introduced sustainable land management practices in at least 0.10 hectares of agricultural holdings each.
 3. At least thirty-five (35) agricultural applied or adaptive research technologies have been tested and adapted to local conditions under the Project.
 4. At least 30% of approved Subprojects have been proposed and are being managed by women.
 5. National Land Use and Management Plan has been implemented in at least five (5) Provinces in the area of Project implementation.
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