

CONFORMED COPY

CREDIT NUMBER 1857 BU

Development Credit Agreement

(Muyinga Agricultural Development Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 9, 1988

CREDIT NUMBER 1857 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 9, 1988, between REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

(a) "Annual Work Plans" means the activities to be carried out each year by

the Project Implementation Unit and the entities and institutions under the Project;

(b) "Department of Cooperatives" means the Department of MRD responsible for cooperatives promotion and monitoring in the Borrower's territory;

(c) "Department of Waters and Forests" means the Department of MOAL responsible for the development of water and forest resources in the Borrower's territory;

(d) "FB" means Francs Burundais, the Borrower's currency;

(e) "Fiscal Year" means the Borrower's fiscal year which runs from January 1 to December 31;

(f) "ISABU" means Institut des Sciences Agronomiques du Burundi, the Borrower's National Research Institute responsible for agricultural research in the Borrower's territory;

(g) "MOAL" means the Borrower's Ministry of Agriculture and Livestock Development;

(h) "MOAL Provincial Services" means the services of MOAL in the Muyinga Province (as defined below);

(i) "MRD" means the Borrower's Ministry of Rural Development;

(j) "Muyinga Province" means the administrative boundaries of the Muyinga Province in the north-eastern part of the Borrower's territory;

(k) "PIU" means the Project Implementation Unit established by the Borrower in accordance with Section 3.04 (a) of this Agreement;

(l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 8, 1986, and June 11, 1986, between the Borrower and the Association;

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

(n) "UPCM" means Union Provinciale des Cooperatives de Muyinga, the cooperatives' association in the Muyinga Province established and operating under Law Decree No. 1/3, dated February 4, 1981.

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 seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in its central bank to be operated by PIU on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and

outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1994, 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 at the rate of one-half of one per cent ($1/2$ of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 per cent ($3/4$ 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 February 1 and August 1 in each year.

Section 2.07. (a) Subject to the paragraphs (b) and (c) of this Section, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing February 1, 1998, and ending August 1, 2027. Each installment to and including the installment payable on August 1, 2007 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

(c) If, any time after modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic conditions 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 through MOAL, MRD, the Muyinga Cooperatives Union and the primary

cooperatives of the Muyinga Province with due diligence and efficiency and in conformity with appropriate administrative, financial, management and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services, staff 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. The Borrower shall ensure that the salaries, indemnities and operating costs of existing staff and on-going operations in the Muyinga Province continue to be funded through its recurrent budget.

Section 3.04. For purposes of coordinating the execution of the Project, and without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) establish and maintain for the duration of the Project in MOAL a Project Implementation Unit with responsibilities satisfactory to the Association chaired by a qualified and experienced project director; and

(b) employ and maintain the following experts in accordance with Section II of Schedule 3 to this Agreement:

(i) an expert in financial management appointed by the Director of PIU to assist in setting up a sectoral accounting plan for all MOAL Provincial Services and to strengthen the accounting capabilities of the units charged with using such plan;

(ii) an agricultural research and extension expert with MOAL Provincial Services;

(iii) a cooperative management expert at the central administration level with the Department of Cooperatives; and

(iv) a cooperative management expert in Muyinga with the Department of Cooperatives.

Section 3.05. For purposes of carrying out Part A of the Project, and without limitation to the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) cause ISABU to provide its support to the on-farm testing program described in Part A.1 of the Project, on terms and conditions to be agreed upon each year between ISABU and PIU;

(b) cause the Department of Waters and Forests to supply the forest and fruit plants necessary for the carrying out of the Project, on terms and conditions to be agreed upon each year between the Department of Waters and Forests and PIU; and

(c) submit to the Association not later than August 31, 1988, or the date that shall be agreed upon in writing by the Association, a letter describing a program of actions designed to expand and replace the Borrower's coffee tree growing areas and the related financial means of such actions.

Section 3.06. For purposes of carrying out Part B of the Project, the Borrower shall:

(a) cause MOAL and MR to enter into an agreement satisfactory to the Association, defining the role, responsibilities, objectives and means of the Department of Cooperatives in the carrying out of such Part of the Project;

(b) establish not later than February 1, 1989, in the Muyinga Province, a satellite of the Credit and Savings Cooperatives Central Office having the purpose, inter alia, of promoting the creation of savings and credit cooperatives in the Muyinga Province;

(c) not later than February 1, 1989, cause PIU to supply, for the purpose of resale to agricultural cooperatives and private traders, small stocks of agricultural inputs, excluding veterinary products requiring the intervention of trained veterinary staff, coffee plants and tree seedlings and pesticides for the treatment of coffee plantations;

(d) upon the placement of the agricultural inputs referred to in the preceding subsection (c), take all necessary measures to ensure that: (i) such agricultural inputs be sold to the farmers by the agricultural cooperatives and the private traders; and (ii) the price margin for such agricultural inputs be sufficient to cover the operational and maintenance costs of the sufficient to cover the operational and maintenance costs of the sellers;

(e) as might be necessary based on the existing demand for such agricultural inputs in the Borrower's territory, cause PIU to constitute "buffer stocks" of such agricultural inputs to replenish the stocks of the agricultural cooperatives and of the private traders;

(f) cause: (i) the agricultural cooperatives and the private traders to remit to PIU the proceeds of the sales from the small stocks referred to in the preceding subsection (c); (ii) PIU to deposit such proceeds into an account to be established at a commercial bank satisfactory to the Association; and (iii) PIU to use such proceeds to replenish the "buffer stocks"; and

(g) not later than December 31, 1993, cause PIU to transfer to UPCM the management of such buffer stocks" and revolving funds on the basis of an agreement satisfactory to the Association.

Section 3.07. For purposes of carrying out Part B.1 of the Project, the Borrower shall transfer to the Muyinga Cooperatives Union and to the primary cooperatives of the Muyinga Province the buildings and equipment which may be necessary to carry out such Part of the Project, under terms and conditions satisfactory to the Association.

Section 3.08. The Borrower shall take all necessary measures satisfactory to the Association for the elimination, not later than January 31, 1993 of budgetary support to its Kinazi seed farm.

ARTICLE IV

Financial Covenants

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

(b) the Borrower shall:

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

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

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

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

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

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

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

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

ARTICLE V

Effective Date; Termination

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

(a) that the Project Implementation Unit referred to in Section 3.04 (a) of this Agreement has been established;

(b) that the expert in financial management referred to In Section 3.04 (b) of this Agreement has been employed;

(c) that MOAL and MRD have entered into the agreement referred to in Section 3.06 (a) of this Agreement; and

(d) that ISABU and PIU have entered into the first of the annual agreements referred to in Section 3.05 (a) of this Agreement.

Section 5.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for Agriculture and Livestock is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministere de l'Agriculture et de l'Elevage
B.P. 1850

Bujumbura
Republic of Burundi

Cable address:

MINAGRI
Bujumbura

Telex:

5145 MINAGRI BDI

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Edouard Kadigiri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works:		
(a) buildings stores, houses	630,000	100% of foreign expenditures and 95% of local expenditures

(b) infra-structure for erosion control	1,020,000	100% of foreign expenditures and 95% of local expenditures
(2) Vehicles and equipment:		
(a) vehicles	330,000	100% of foreign expenditures and 90% of local expenditures
(b) furniture and equipment	120,000	100% of foreign expenditures and 90% of local expenditures
(3) Inputs:		
(a) agricultural, forestry, fruit tree and veterinary inputs	1,570,000	100% of foreign expenditures and 90% of local expenditures
(b) coffee plants (phase I)	395,000	100% of foreign expenditures and 90% of local expenditures
(c) coffee plants (phase II)	395,000	100% of foreign expenditures and 90% of local expenditures
(4) Research and development, training and studies	270,000	100% of foreign expenditures and 95% of local expenditures
(5) Operating Costs	450,000	90% of expenditures billed through December 31, 1988; 85% of expenditures billed from January 1 to December 31, 1989; 80% of expenditures billed from January 1 to December 31, 1990; 70% of expenditures billed from January 1 to December 31, 1991; 50% of expenditures billed from January 1 to December 31, 1992; and 20% of expenditures billed from January 1, 1993 to June 30, 1994

(6) Technical Assistance	1,530,000	100%
(7) Refunding of Project Preparation Advance	400,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	790,000	
TOTAL	7,900,000	

2. If the amount allocated to Category (7) above is in excess of the amount due, the excess will be reallocated to Category (8).

3. 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; and

(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.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for expenditures prior to the date of this Agreement; and (b) under Category 3 (c) of paragraph 1 above, unless the Association shall be satisfied that the letter referred to in Section 3.05 (c) of this Agreement has been submitted and is satisfactory to the Association.

5. For the purposes of Category 3 (a) of paragraph 1 above, the forestry and fruit tree inputs furnished by the Department of Waters and Forests shall be financed on the basis of invoices indicating the cost established in the annual agreements referred to in Section 3.05 (b) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the Muyinga Province in: (i) increasing the production and quality of food crops, coffee and livestock; (ii) promoting the development of agroforestry, soil conservation and forest protection; (iii) improving marketing procedures in the agricultural sector; and (iv) strengthening financial and institutional management in such agricultural sector.

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: Strengthening of MOAL services for Agricultural Extension, Development of Input Production and Utilization, Research, Animal Health, Forestry and Rural Engineering in the Muyinga Province.

1. Carrying out, by the Muyinga Provincial Services with the support of ISABU, of a program of on-farm testing of new techniques related to improved crops and animal husbandry, soil fertility management and crop rotation.

2. Introduction of a training and visit system of agricultural extension adapted to local conditions.

3. Strengthening of forestry services in the Muyinga Province through:

(i) establishment of about 2,500 hectares of soil protection forestry plantations; and

(ii) promotion of on-farm tree-planting.

4. Carrying out of a soil conservation program at farm level consisting of:

(i) introduction of adapted species of ground cover, fodder crops and trees;

(ii) research and adaptation of technical packages for on-farm erosion control;

(iii) supply of topographic equipment to MOAL rural engineering staff to assist in the improvement of erosion control; and

(iv) construction of about 220 culverts and 18 small bridges to prevent water logging or excessive drainage of peaty bottom lands.

5. Increasing livestock production, inter alia, through improved animal health services by:

(i) execution of repairs and construction of veterinary infrastructure, including the rehabilitation of two cattle dips and the construction of 34 cattle crushes;

(ii) supply of anti parasite drugs, mineral salts and other veterinary products and equipment; and

(iii) progressive take over by the livestock farmers associations from the provincial veterinary services of the responsibility for dipping and spraying operations, and the sale of livestock inputs.

6. Development of production and distribution of inputs.

7. Construction and rehabilitation of houses, offices, meeting rooms, training facilities and storage rooms for MOAL's Provincial Services and PIU.

Part B: Development of Cooperatives, Improved Marketing of Agricultural Inputs and Produce and Promotion of Savings and Rural Credit in the Muyinga Province.

1. Assistance to the cooperative movement in the Muyinga Province in particular through the strengthening of the Muyinga Cooperatives Union and the primary cooperatives by:

(i) construction of offices and storage facilities and supply of equipment to facilitate marketing activities;

(ii) training in cooperative management and cooperative education;

(iii) establishment in the Muyinga Province of a satellite of the Credit and Savings Cooperatives' Central Promotion Office; and

(iv) supply of vehicles.

2. Strengthening of the Central Cooperatives Services of MRD by:

(i) strengthening of the cooperative accounting system and setting up of consolidated statements;

(ii) training of its staff in cooperative accountings auditing, management and utilization of computer systems; and

(iii) supply of a vehicle.

3. Promotion and assistance to ad hoc farmers associations based on productive activities such as improved seed multiplication, tree seedling production, food crop processing, agricultural produce marketing and animal health services.

4. Promotion and assistance to credit and savings cooperatives to promote savings

and agricultural credit among the farmers.

* * * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Contractors

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

Part C: Other Procurement Procedures

1. Civil works under Parts A.4 (iv), A.7 and B.1 (i) of the Project and furniture and equipment estimated to cost more than the equivalent of \$20,000 per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the applicable procedures of the Borrower and paragraph 3.3 of the Guidelines.
2. Afforestation works under Part A.3 of the Project may be carried out by force account in accordance with the procedures referred to in paragraph 3.6 of the Guidelines.
3. Furniture and equipment estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
4. Items estimated to cost less than the equivalent of \$1,000 per contract may be procured directly with the suppliers.

Part D: Review by the Association of Procurement Decisions

1. (a) With respect to each contract for civil works except those under Parts A.3, A.4 (iv) and A.5 (i) of the Project and with respect to each contract for agricultural inputs, equipment vehicles and furniture estimated to cost the equivalent of \$20,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditures. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants and Experts

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants and experts shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

1. The Borrower shall carry out implementation of the Project through MOAL and MRD and coordination, administration and procurement of the Project through PIU.

2. Progress Reports, proposed Annual Work Plans and Budgets shall be prepared by each entity responsible for each component of the Project, and shall be furnished to PIU which shall be responsible for aggregation into a comprehensive document and submission to MAE for approval. MAE shall submit such document to the Association not later than August 31 of each Fiscal Year.

3. Progress Reports shall specify the Project activities carried out in the preceding Fiscal Year.

4. Annual Work Plans and Budgets shall detail the objectives and targets of the component for the year in question, the specific activities to be carried out and the required human and financial resources. Annual Work Plans shall include the following:

(a) a brief evaluation of the previous year's performance as compared to the objectives and a comparison of results obtained;

(b) detailed objectives and targets for the following year with a description of activities for each objective, expected output and relevant time frame;

(c) detailed investment and operating budgets for each component;

(d) staffing and training plans with a statement of specific objectives;

(e) a financing plan; and

(f) procurement plan.

5. Plans and Budgets related to the Muyinga's cooperatives shall also be discussed with and approved by the Director of the Department of Cooperatives.

6. The Borrower shall ensure that the final version of Annual Work Plans and Budgets embodies the modifications proposed on the basis of the review made by the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (6) set forth in

the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$400,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenish of the Special Account at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account the Borrower shall furnish to the Association, prior to or with any request for replenishment or upon request of the Association, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence

furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

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

