

CONFORMED COPY

CREDIT NUMBER 1966 MAI

(Agricultural Marketing and Estate
Development Project)

between

REPUBLIC OF MALAWI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 31, 1989

CREDIT NUMBER 1966 MAI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 31, 1989, between REPUBLIC OF MALAWI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) 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;

(B) Part A of the Project will be carried out by the Reserve Bank of Malawi with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to the Reserve Bank of Malawi part of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and the Reserve Bank of Malawi;

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 modifications set forth in Schedule 3 to this Agreement (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 have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "RBM" means the Reserve Bank of Malawi, established pursuant to the RBM Act;

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

(c) "RBM Agreement" means the agreement to be entered into between the Borrower and RBM pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the RBM Agreement;

(d) "RBM Act" means the Reserve Bank of Malawi Act (Cap. 44:02 of the Laws of Malawi);

(e) "SEDOM" means the Small Enterprise Development Organization of Malawi;

(f) "Participating Bank" means any one of the following banks: Investment and Development Bank of Malawi Limited, the Commercial Bank of Malawi Limited and the National Bank of Malawi;

(g) "Participating Bank Agreement" means each of the loan agreements to be entered into by RBM and each of the Participating Banks pursuant to Section 3.01 (c) of this Agreement, whereby RBM will provide a Participating Bank with funds for Sub-loans, as the term is defined in paragraph (h) below;

(h) "Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank to an Investment Enterprise for an Investment Project out of the equivalent of the proceeds of the Credit relent to the Participating Bank pursuant to a Participating Bank Agreement;

(i) "SEDOM Agreement" means the loan agreement to be entered into by RBM and SEDOM, pursuant to Section 3.01 (c) of this Agreement, whereby RBM will provide SEDOM with funds for SEDOM credits as defined in paragraph (j) below;

(j) "SEDOM credit" means a loan or credit made by SEDOM to an Investment Enterprise for an Investment Project under Part A.2 of the Project;

(k) "Investment Enterprise" means any enterprise to which a Participating Bank proposes to make or has made a Sub-loan and includes any enterprise to which SEDOM proposes to make a SEDOM credit;

(l) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan or a SEDOM credit;

(m) "Malawi kwacha" and "MK" mean the currency of the Borrower;

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

(o) "Special Account B" means the account referred to in Section 2.02 (c) of this Agreement;

(p) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated November 12, 1987, and January 19, 1988, between the Borrower and the Association.

(q) "EP&D" means the Department of Economic Planning and Development in the Borrower's Office of the President and Cabinet;

(r) "ADMARC" means the Agricultural Development and Marketing Corporation;

(s) "MBS" means the Malawi Bureau of Standards; and

(t) "MOA" means the Borrower's Ministry of Agriculture.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for:

(i) amounts paid (or, if the Association shall so agree, amounts to be paid) by RBM on account of withdrawals made by an Investment Enterprise under a Sub-Loan or a SEDOM credit to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested; and

(ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B and C of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Part A of the Project, open and maintain in dollars a special account in a commercial bank 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 6 to this Agreement.

(c) The Borrower shall, for the purposes of Parts B and C of the Project, open and maintain in dollars a special account in a commercial bank, 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 7 to this Agreement.

(d) 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, 1996, or such later date as the Association shall establish. The Association shall promptly notify the Borrower and RBM of such later date.

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

(b) The commitment charge shall accrue:

- (i) from a 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 Borrower from the Credit Account or cancelled; and
- (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988, shall be applied as of July 1, 1988.

(c) The commitment charge shall be paid:

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing April 1, 1999, and ending October 1, 2028. Each installment to and including the installment payable on October 1, 2008, 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 (5) 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 their due consideration of the development of the Borrower's economy, modify the terms of repayment of

installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

Section 2.09. RBM is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Category (1) and Category (2) of Schedule 1 to this Agreement.

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:

- (i) shall carry out Parts B and C of the Project with due diligence and efficiency, and in conformity with appropriate administrative, agricultural marketing and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause RBM to perform, in accordance with the provisions of the Project Agreement, all the obligations of RBM therein set forth and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable RBM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 5 to this Agreement.

(c) The Borrower shall make available to RBM the Malawi kwacha equivalent of \$15,500,000 from the proceeds of the Credit, under the RBM Agreement to be entered into between the Borrower and RBM under terms and conditions which shall have been approved by the Association and which shall include:

- (i) an undertaking by RBM to make loans to Participating Banks and SEDOM under Participating Bank Agreements and the SEDOM Agreement to be entered into by RBM with each Participating Bank and SEDOM, respectively, for financing Investment Projects under terms and conditions specified in the Project Agreement; and
- (ii) an undertaking by RBM to promptly transfer to the Borrower all payments of interest and repayments of principal made by Participating Banks and SEDOM under Participating Bank Agreements and the SEDOM Agreement, respectively.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services, required for Parts B and C of the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by RBM, pursuant to Section 2.04 of the Project Agreement.

Section 3.04. The Borrower undertakes to annually review and, if necessary, revise interest rates to ensure that the rates charged by Participating Banks and SEDOM on Sub-loans and SEDOM credits, respectively, are:

- (i) in line with the overall interest rate structure in the Borrower's territory; and
- (ii) adequate to permit the attainment of the objectives of the Project.

Section 3.05. The Borrower shall, not later than March 31, 1989, submit to the Association, for its review, terms of reference and a work program for the implementation of a pilot credit scheme.

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 Parts B and C of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for Special Account B, for each fiscal year, audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine (9) months

after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Association has received the audit, for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) as evidence of such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section, and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure, submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

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

(a) RBM shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that RBM will be able to perform its obligations under the Project Agreement.

(c) The RBM Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of RBM, its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

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

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

(a) the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower and RBM; and

(b) any event specified in paragraph (c) or (d) of

Section 5.01 of this Agreement shall occur.

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 Borrower has established the Marketing Committee and the Estate and Agro-industries Committee, pursuant to paragraphs 2 and 3 of Schedule 5 to this Agreement.

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 Project Agreement has been duly authorized or ratified by RBM and is legally binding upon RBM 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. The obligations of the Borrower under Sections 3.01 and 3.03 of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Cable address:

FINANCE
Lilongwe

Telex:

44407

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 MALAWI

By /s/ Robert B. Mbaya

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
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) Sub-loans:		
(a) under Part A.1 (a) of the Project	8,530,000	100% of expendi- tures incurred under Sub-loans made by Partici- pating Banks
(b) under Part A.1 (b) of the Project	2,250,000	100% of expendi- tures incurred under Sub-loans made by Partici- pating Banks
(2) SEDOM credits under Part A.2 of the Project	1,100,000	100% of expendi- tures incurred under SEDOM credits
(3) Vehicles, equipment and office supplies	150,000	100%
(4) Technical assistance and overseas training	620,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Operating costs	150,000	42%
(6) Civil works	500,000	90%
(7) Information (M&E) and studies	150,000	100%
(8) Refunding of Project Preparation Advance	550,000	Amount due pursuant to Section 2.02 (d) this Agreement
(9) Unallocated	200,000	
TOTAL	14,200,000	

2. 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR \$1,170,000, may be made in respect of Category 1 (b) on account of payments made for expenditures before that date but after July 1, 1988;

(b) in respect of payments for Sub-loans under Category (1) (a) and Category (1) (b), unless the appropriate Participating Bank Agreement has been duly executed on behalf of RBM and the Participating Bank, and has been approved by the Association; and

(c) in respect of SEDOM credits under Category (2), unless SEDOM has submitted a program of promotion of the pilot credit line, under Part A.2 of the Project, satisfactory to the Planning Division of the Borrower's Ministry of Agriculture; the Borrower's Ministry of Trade, Industry and Tourism; and the Association, and has submitted satisfactory procedures for monitoring SEDOM credits.

SCHEDULE 2

Description of the Project

The objectives of the Project are to:

(a) improve the marketing of smallholder farmers' crops by supporting the Borrower's efforts to develop a multi-channel marketing system; and

(b) improve resource utilization and productivity on estates by providing medium-term credit to intensify and diversify production.

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: Line of Credit

1. The financing of specific development projects through:

(a) loans to enterprises within the estate sub-sector; and

(b) loans for investment in support of agricultural processing and marketing.

2. A pilot scheme to finance the short- and medium-term requirements of rural traders specializing in the purchase, processing, storage and transportation of smallholder farmers' crops.

Part B: Institutional Development

Strengthening of the Borrower's Ministry of Agriculture and the Malawi Bureau of Standards to improve market information, quality control and regulatory capability through technical assistance, training, studies and the acquisition of equipment, office supplies and vehicles, including spare parts.

Part C: Market Infrastructure

Expansion and improvement of rural markets through the construction and rehabilitation of about 16 district markets.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Modifications of the General Conditions

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

- (1) The last sentence of Section 3.02 is deleted.
- (2) The following subparagraph is added to Section 2.01:

"15. The term 'Project Agreement' has the meaning set forth in paragraph (b) of Section 1.02 of the Development Credit Agreement."

(3) The words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in subparagraph 4 of Schedule 2 to the Project Agreement, the Association shall, in respect of any portion of the Credit:

- (i) have received no applications or requests permitted under subparagraphs (a) or (b) of said paragraph; or
- (ii) have denied any such applications or requests.

The Association may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

2. Vehicles, spare parts, equipment and office supplies shall be bulked together in bidding packages to the maximum extent practicable.

Part B: Other Procurement Procedures

1. Vehicles, spare parts and equipment estimated to cost less than \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$220,000, may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Civil works may be procured under contracts awarded on the basis of competitive bidding advertised locally, or may be carried out by force account through the Ministry of Local Government.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of Special Account B, such procedures shall be modified to ensure that the two conformed copies of each such contract, required to be furnished to the Association pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines, shall be furnished to the Association prior to the making of the first payment out of Special Account B in respect of each 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 contracts are to be made out of Special Account B, such procedures shall be modified to ensure that the two conformed copies of each such contract, together with the other information required to be furnished to the Association pursuant to paragraph 3 of Appendix 1 to the Guidelines, 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 expenditure. 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

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

SCHEDULE 5

Implementation Program

1. Subject to the provisions of the Project Agreement, the Borrower's Ministry of Agriculture shall have overall responsibility for the execution of the Project. In order to ensure the efficient implementation of the Project, and to coordinate the activities of the various agencies involved in Project implementation, the Permanent Secretary of MOA shall promptly establish the Marketing Committee and the Estates and Agro-industries Committee.

2. The Marketing Committee, which shall oversee the implementation of Part A.2, Part B and Part C of the Project, will be chaired by the Secretary for Agriculture and have representatives of the Ministry of Finance; EP&D; RBM; MBS; the Ministry of Local Government; the Ministry of Trade, Industry and Tourism; SEDOM; ADMARC; and representatives of private traders as members. The Planning Division of MOA will provide secretariat services to the Committee.

3. The Estates and Agro-Industries Committee shall oversee the implementation of Part A.1 of the Project. It shall have the Secretary to the Treasury, as Chairman, and will include representatives of MOA; EP&D; the Ministry of Trade, Industry and Tourism; RBM; the Participating Banks; and representatives of Investment Enterprises as members.

4. Participating Banks and SEDOM shall submit quarterly reports to the Estates and Agro-Industries Committee and the Marketing Committee, respectively, and to the Association. All other Project implementing agencies shall submit semiannual progress reports to the relevant committee, and to the Association. The Planning Division of MOA shall, by January 30, 1992, prepare and submit to the Association, for its review, a mid-term evaluation report of the Project. MOA shall take all measures necessary to promptly implement such corrective steps as may be recommended and adopted on the basis of the Association's review of the mid-term evaluation report.

Part B of the Project

5. In order to strengthen the Marketing and Pricing Section, and improve the effective functioning of the Planning Division of MOA, the Borrower shall, no later than March 31, 1989, employ a suitably qualified marketing advisor and fill the currently vacant posts for four economists.

6. The Planning Division shall be responsible for the training program, including the determination of priority training needs of the marketing and credit staff, and traders, and appointment of candidates for overseas and local training. With the assistance of the marketing services advisor to be recruited pursuant to paragraph 5 of this Schedule, the Borrower shall submit to the Association, for its review and comments, an annual training program by March 31 of each year of Project implementation.

7. The Borrower shall ensure that MBS shall, by no later than October 31, 1989, assume full responsibility for the establishment and implementation of an export quality control system for agricultural products.

8. The Marketing and Pricing Section, in collaboration with other relevant institutions, shall be responsible for developing and reviewing marketing policies and procedures to ensure effective operation of a private marketing system. In this context, the Borrower shall undertake an analysis of the impact of its market reform measures, including the effects of the existing regulations requiring traders to operate from designated markets. The Borrower shall review the results of this analysis with the Association and take the necessary measures to implement any agreed changes in the regulations by March 31, 1990. Moreover, the Borrower shall submit to the Association, for its review and comments, any subsequent proposals to change the Borrower's marketing regulations, policies and procedures to ensure that they shall continue to be satisfactory to the Association.

SCHEDULE 6

Special Account A

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) (a), (1) (b) and (2) 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 Investment Projects in Part A of the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Category, in accordance with the provisions of Schedule 1 to this Agreement; and

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

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

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

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

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

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

requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the Eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Credit allocated to the Eligible Category for Part A of the Project, less the amount of any outstanding special commitment entered into by the Association, pursuant to Section 5.02 of the General Conditions with respect to Part A of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal, from the Credit Account, of the remaining unwithdrawn amount of the Credit, allocated to the Eligible Category for Part A of the Project, shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and

(ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association:

(A) provide such additional evidence as the Association may request; or

(B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time

that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), 6 (b) and 6 (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 7

Special Account B

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (3) through (7) 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 Parts B and C of the Project and to be financed out of the Credit allocated from time to time to the Eligible Categories, in accordance with the provisions of Schedule 1 to this Agreement;

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account, pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required, pursuant to paragraph 4 of this Schedule, for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been 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 said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association, pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal, from the Credit Account, of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and

(ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association:

(A) provide such additional evidence as the Association may request; or

(B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), 6 (b) and 6 (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

