

CONFORMED COPY

CREDIT NUMBER 2368 CA

(Agricultural Services Development Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 1, 1992

CREDIT NUMBER 2368 CA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 1, 1992, between CENTRAL AFRICAN REPUBLIC (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) the Borrower intends to receive from UNDP a grant (the UNDP Grant) in an amount equivalent to US\$3.6 million to assist in financing part of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the Borrower and UNDP;

(C) the Borrower intends to receive from MCD a grant (the MCD Grant) in an amount equivalent to US\$2.2 million to assist in financing part of the Project on the terms and conditions set forth in an agreement (the MCD Grant Agreement) to be entered into between the Borrower and MCD;

(D) the Borrower intends to receive from CCCE a grant (the CCCE Grant) in an amount equivalent to US\$4.5 million to assist in financing part of the Project on the

terms and conditions set forth in an agreement (the CCCE Grant Agreement) to be entered into between the Borrower and CCCE;

(E) the Borrower intends to receive from the Federal Republic of Germany through GTZ a grant (the German Grant) in an amount equivalent to US\$1.2 million to assist in financing part of the Project on the terms and conditions set forth in an agreement (the German Grant Agreement) to be entered into between the Borrower and Germany;

(F) by agreement dated March 21, 1992 (the Swiss Grant Agreement), Switzerland has agreed to make a grant (the Swiss Grant) to the Borrower in an amount of Swiss Francs 1,960,478 to assist in financing part of the Project on the terms and conditions set forth in the Swiss Grant Agreement to be entered into between the Borrower and Switzerland;

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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "ACADOP" means Agence Centrafricaine de Developpement de Ouham Pende;
- (b) "ACDA" means l'Agence Centrafricaine de Developpement Agricole;
- (c) "CCCE" means Caisse Centrale de Cooperation;
- (d) "CFAF" the currency of the Borrower;
- (e) "CNRA" means le Conseil National de la Recherche Agronomique;
- (f) "Credit Fund" means the fund set up for the purpose of Part E of the Project;
- (g) "Credit NGO" means the NGO that will administer the Credit Fund;
- (h) "DRDA" means Agricultural Development Regional Directorate;
- (i) "GTZ" means Gesellschaft fcr Technische Zusammenarbeit;
- (j) "ICRA" means l'Institut Centrafricaine de Recherche Agronomique;
- (k) "MDC" means Ministcre Francais de la Cooperation au Developpement;
- (l) "MDR" means the Ministcre du Developpement Rural of the Borrower;
- (m) "MTP" means the Ministcre de Travaux Publics referred to in Section 3.07 of this Agreement;
- (n) "NGO Agreement" means the agreement between the Borrower and the Credit NGO regarding the administration of the Credit Fund;
- (o) "SOCADA" means the Societe Centrafricaine de Developpement Agricole;

(p) "UNDP" means United Nations Development Programme;

(q) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters dated October 26, 1988 and October 31, 1988, as well as December 27, 1989 and January 12, 1990 between the Borrower and the Association; and

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000).

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 CFAF a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advances withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amounts of the Project Preparation Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of 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 from the next payment date in that year specified in Section 2.06 of this Agreement.

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

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one 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 March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1, commencing September 1, 2002 and ending March 1, 2032. Each installment to and including the installment payable on March 1, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project under the overall coordination of MDR, and close in cooperation between MDR and MTP for the purposes of Part D (2) of the Project, with due diligence and efficiency and in conformity with appropriate agricultural, financial and administrative and rural engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.03. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall ensure that ICRA shall carry out Part B and ACDA shall carry out Parts C and D (1) of the Project in accordance with sound administrative, financial, agricultural and rural engineering practices under the supervision of their respective qualified and experienced management, assisted by competent staff in adequate numbers. To this effect the Borrower shall, amongst others, ensure that:

(a) key positions at ICRA (including those of General Director and Department Directors) and ACDA (including those of General Director, Financial Director and the

two Regional Directors) will be staffed at all times by staff whose experience and qualifications are acceptable to the Association;

(b) MDR will retain for the duration of the Project in the position of Financial Coordinator an expert whose experience and qualifications are acceptable to the Association.

Section 3.04. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall ensure, for the purposes of Parts A and D (2) of the Project, the annual submission no later than October 31 of each calendar year of a work program and budget acceptable to the Association.

Section 3.05. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of Part B of the Project, ensure the annual submission no later than October 31 of a work program and budget for ICRA that is acceptable to the Association.

Section 3.06. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of Parts C and D (1) of the Project:

(a) ensure the annual submission no later than October 31 of a work program and budget for ACDA acceptable to the Association;

(b) ensure that ACDA headquarters recurrent expenditures will not exceed 30% of those of DRDAs North-West and Center-East combined;

(c) transfer to DRDAs' pilot activities currently being carried out in the North-Western and Center-Eastern regions no later than June 30, 1993;

(d) ensure that among the present SOCADA and ACADOP extension staff only those who are most experienced and qualified (i.e. technician level and above) may be recruited for ACDA; and

(e) establish the South West and Center South DRDAs no later than June 30, 1995.

Section 3.07. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall, for the purposes of Part E of the Project, establish and maintain a fund in CFAF (the Credit Fund) in an account in a commercial bank in the Central African Republic on terms and conditions satisfactory to the Association. The proceeds of the Credit disbursed under Part E of the Project shall be paid into this account. The Credit Fund shall be managed by an NGO (the Credit NGO) selected by the Borrower in accordance with procedures acceptable to the Association. The Credit NGO shall manage the Credit Fund in accordance with a management agreement (the NGO Agreement) acceptable to the Association that shall, inter alia, include the following:

(a) all funds accruing to the Credit Fund as a result of repayment of loans or payment of interest on loans shall be reused for the same purposes of making loans in accordance with this Agreement;

(b) an administration fee to be received by the Credit NGO in consideration for the services provided under the NGO Agreement;

(c) the terms and conditions on which the Credit NGO shall make loans shall be consistent with the provisions of Schedule 5 to this Agreement;

(d) decisions on loans shall be taken solely by the Credit NGO;

(e) the resources to be made available by the Borrower to the Credit NGO to facilitate the implementation of Part E of the Project; and

(f) a requirement for the Credit NGO to keep separate records and accounts regarding the implementation of Part E of the Project and to have these records and

accounts audited annually, in accordance, mutatis mutandis, with the provisions of Section 4.01 (a) and (b) of this Agreement.

Section 3.08. The Borrower and the Association shall carry out a mid-term review of the Project no later than September 30, 1995. This review will, inter alia, assess the following:

- (a) progress made in the implementation of the Project with a view to targets set in the annual work programs of ICRA and ACDA;
- (b) problems encountered in executing each part of the Project;
- (c) effectiveness of the new extension and community development services;
- (d) involvement of the beneficiaries in Project implementation;
- (e) impact of the new rural development approach on the beneficiaries;
- (f) efficiency and effectiveness of the credit scheme, including the rate of credit recovery and loans repayment;
- (g) performance of MDR, ICRA, ACDA, the Credit NGO and the experts employed for the execution of the Project; and
- (h) the number and quality of investments undertaken at the village level.

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 agencies of the Borrower responsible for carrying out the Project or any part thereof, including MDR, ICRA and ACDA.

(b) The Borrower shall:

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

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

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

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

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

(ii) retain, until at least one year after the Association has received the audit report 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 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) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution, disestablishment or suspension of the activities of ICRA, ACDA or the Credit NGO, or shall in any other way through its acts or omissions have adversely affected the ability of any of these institutions to fully carry out their responsibilities under the Project.

(b) The Borrower or the Credit NGO shall have failed to fulfill any of their obligations under the NGO Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the UNDP Grant, the MCD Grant, the CCCE Grant, the German Grant or the Swiss Grant, made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the UNDP Grant Agreement, the MCD Grant Agreement, the CCCE Grant Agreement, the German Grant Agreement or the Swiss Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) Reduction of the number of MDR Regional Delegates from 16 to 8;

(b) ICRA and ACDA have been established and are ready to start their operations;

- (c) Staff selection for both ICRA and ACDA has been completed;
- (d) Appointment of the Financial Coordinator whose experience and qualifications are acceptable to the Association; and
- (e) A firm has been hired to establish adequate accounting and management information systems.

Section 6.02. The date 90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for economy and planning 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 Economy and Planning
P.O. Box 609
Bangui
Central African Republic

Cable address:

MINIPLAN

Telex:

5208 RC

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

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.

CENTRAL AFRICAN REPUBLIC

By /s/ Jean Pierre Sahahong-Kombet

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) Civil Works:		100%
(a) Rural Roads	4,730,000	
(b) Buildings	510,000	
(c) Tracks and Village Level Works	110,000	
(d) Destumping	110,000	
(2) Vehicles and Equipment	800,000	100%
(3) Technical Assistance	2,260,000	100%
(4) Training	180,000	100%
(5) Goods and Services financed under Part E of the Project	950,000	100%
(6) Operating Costs	5,900,000	100%
(7) Refunding of Project Preparation Advance	550,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	2,700,000	
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TOTAL	18,800,000	
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2. For the purpose of this Schedule, the term "operating costs" means expenditures for building maintenance, vehicles and equipment, maintenance and repair, allowances for travel related to the Project, gasoline for vehicles financed under the Project, incremental salaries for contractual staff recruited for the purposes of this Project and office supplies.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.

4. Notwithstanding, the provisions of paragraph 1 above, no withdrawals shall be made in respect of (a) payments made for expenditures prior to the date of this

Agreement; and

(b) payments made in respect of Category 1 (a) unless the Association has received evidence satisfactory to it that the Borrower has adopted a Rural Roads Master Plan acceptable to the Association.

Schedule 2

Description of the Project

The objectives of the Project are to strengthen the institutional capability of the Borrower, improve the productivity, income and living standards of producers in rural areas and to promote autonomous and self sustainable development of rural communities.

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

Part A: Institutional Support to MDR

1. Programming and monitoring of public investments and expenditures in the rural sector;
2. Carrying out and supervision of sectoral studies and analyses;
3. Rehabilitation of MDR office buildings and facilities; and
4. Strengthening of MDR's technical and operational capability.

Part B: Agricultural Research

1. Establishment of ICRA and provision of the required operational support;
2. Formulation of a comprehensive agronomical research policy and monitoring of its implementation;
3. Strengthening of ICRA's technical capability including provision of on the job and overseas training;
4. Carrying out and monitoring of the execution of priority research programs focussed on agricultural and agro-pastoral systems of production;
5. Production and dissemination of improved seeds.

Part C: Rural Development Field Services

1. Establishment of ACDA and provision of the required operational support, including for the North-West and, the Center-East DRDAS; and establishment and rehabilitation of training centers;
2. Promotion of village groups and associations and monitoring their participation in the formulation and carrying out of rural development programs and activities;
3. Identification of activities with great potential for incremental production; formulation of rural extension and community development programs and execution of said programs;
4. Identification of factors that constrain production in rural areas and provision of technical assistance and materials to alleviate the impact of said factors namely with respect to processing and marketing activities, use of modern inputs, equipment, animal traction, craftsmanship and training; and
5. Training for ACDA staff, villagers and young farmers in subject matters related to the Project.

Part D: Rural Infrastructure

1. (a) Rehabilitation and maintenance of about 1,400 km of feeder roads;
 - (b) construction and maintenance of about 2,200 km of tracks; and
 - (c) carrying out of community infrastructure and land improvement works at the village level.
2. Rehabilitation and maintenance of about 500 km of primary roads.

Part E: Rural Credit

1. Granting of loans to farmers and small entrepreneurs for productive investments in rural areas; and
2. Promotion of village associations aimed at mobilizing savings and granting loans in rural areas.

* * * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

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. To the extent practicable, contracts for vehicles and equipment shall be grouped into bid packages estimated to cost the equivalent of \$1,000,000 or more.

Part B: Other Procurement Procedures

1. Rehabilitation of existing buildings, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Construction of rural roads may be carried out by force account by existing road construction units up to an aggregate amount equivalent to \$1,400,000. Contracts for construction of rural roads, estimated to cost less than \$1,000,000 up to an aggregate amount equivalent to \$2.6 million may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
3. Vehicles up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
4. Procurement of equipment and furniture the estimated cost of which is less than the equivalent of \$100,000, but more than the equivalent of \$50,000 per contract may up to an aggregate amount equivalent to \$400,000 be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
5. Small purchases estimated to cost less than the equivalent of \$50,000 may up to an aggregate amount equivalent of \$100,000 to 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.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

(d) With respect to each contract referred to in paragraph 1 of Part A, the Borrower shall ensure that any preshipment inspection required prior to the import of goods procured under said contract shall be applied only in respect of the quality and quantity stated in said contract.

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 consultants, (including the Credit NGO referred to in Section 2.07 of this Agreement) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (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 US\$700,000 to be withdrawn from the Credit Account and deposited into the Special Account

pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the 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), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Part A: Eligibility for Loans under Part E of the Project

Only farmers and small entrepreneurs from villages covered by the two DRDAs supported under the Project shall be eligible for loans to be granted under Part E of the Project.

Activities to be financed with the proceeds of these loans shall contribute to increasing agricultural and rural enterprises output. They are limited to the following activities and any other activity that may have been approved by the Association:

1. Acquisition of production, processing and transport equipment, agricultural inputs and destumping works;
2. Acquisition of breeding stock and draft oxen;
3. Acquisition of materials and tools for village craftsmen (e.g. blacksmiths, carpenters, cabinet makers and bricklayers);
4. Construction of storage facilities and shops; and
5. Acquisition of stocks, for shops and drug stores, and purchase of crops.

Part B: Terms and Conditions of Loans under Part E of the Project

Loans made to farmers and small-entrepreneurs shall, inter alia, include the following conditions:

1. A fixed interest rate of 1% to 4% per month is to be charged depending on the duration and the purpose of the loan; the adequacy of this rate shall be reviewed with the Association by October 31 of each calendar year.
2. The aggregate amount of loans granted to any recipient and not yet repaid shall not exceed at any time an amount equivalent to \$9,000;
3. A personal contribution equivalent to at least 25% of the total cost of the proposed investment shall be required from each loan recipient; this contribution may be made in cash or in kind;
4. Repayment periods of up to four years and an acceptable collateral satisfactory to the Credit NGO to ensure the repayment of the loan principal and accrued interest;
5. Release of all such information as the Borrower, the Association or the Credit NGO shall reasonably request regarding the loan and the goods and services financed with the proceeds of the loan; and

6. Loans granted to young farmers and small-entrepreneurs that have successfully completed the training referred to under Part C.5 of the Project shall be granted on the following terms:

(a) a personal contribution from each recipient equivalent to at least 10% of the total cost of the investment to be undertaken; this contribution shall be made only in cash;

(b) a fixed interest at a rate not exceeding 2% per month; and

(c) repayment periods of up to 5 years including a grace period of at least 6 months.

