

CONFORMED

LOAN NUMBER 7285-PE

Loan Agreement

(Second Agricultural Research and Extension Project)

between

REPUBLIC OF PERU

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 6, 2005

LOAN NUMBER 7285-PE

LOAN AGREEMENT

AGREEMENT, dated July 6, 2005, between REPUBLIC OF PERU (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter, dated February 16, 2005 describing the Borrower's program to increase the productivity and the competitiveness of the agricultural sector in the Borrower's territory (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program, of which the Project constitutes the second phase;

(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a series of loans over a period of approximately twelve years to be utilized by the Borrower in the implementation of the Program; and

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999, as amended through May 1, 2004 with the modifications set below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 6.03(c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive"; and

(b) Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

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

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) “*Banco de la Nación*” means the Borrower’s public sector bank created and operating, *inter alia*, under Law No. 16000, dated January 27, 1966 and Legislative Decree No. 199, dated June 12, 1981;

(b) “Beneficiary” means an individual or a public or private entity with legal personality, including Producer Organizations (as hereinafter defined) or Extension Service Providers (as hereinafter defined), which has met the eligibility criteria specified in the Project Operational Manual, and, as a result, has been granted or is to be granted a Subproject Grant for activities under the Project;

(c) “Competitive Agricultural Technology Fund” means a fund established and operating under the Borrower’s Ministerial Resolution No. 0201-2005-AG, dated February 24, 2005;

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

(e) “Eligible Expenditures” means the expenditures for goods, works, Subprojects and consultant services referred to in Section 2.02 of this Agreement;

(f) “Environmental Impact Action Plan” means a plan dated February 24, 2005 outlining environmental implementation procedures, mitigation measures and monitoring guidelines for the Project; said plan may be amended from time to time with the Bank’s prior approval and is published and available to the public on the website www.incagro.gob.pe;

(g) “Executive Council” (*Consejo Directivo*) means the highest oversight body for the Project headed by the Minister of Agriculture and comprising specialized committees for, *inter alia*, science, finance and programs, as established and operating under the Borrower’s Ministerial Resolution No. 0201-2005-AG, dated February 24, 2005;

(h) “Extension Service Providers” means an individual, or a public or private entity with legal personality (including universities, governmental research institutes, consulting firms, agribusiness firms, and non-governmental organizations) that: (a) assists Producer Organizations in adopting new crop and livestock production, post-harvest handling, and marketing technologies; and (b) strengthens Producer Organizations’ capacity to represent and serve their interests and those of their members;

(i) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “INCAGRO-PMU” means the project management unit within MOA (as hereinafter defined), in charge of the day-to-day management and execution of the Project;

(k) “Independent Auditors” means the independent auditors referred to in Section 4.01(b)(i) of this Agreement and paragraph 3(a) of Schedule 5 to this Agreement selected for each auditing task under separate selection procedures in accordance with Section III of Schedule 4 to this Agreement and contracted for a period of up to two years;

(l) “Indigenous Peoples’ Development Plan” means the plan dated February 24, 2005 outlining implementation procedures, mitigation measures and monitoring guidelines for indigenous peoples under the Project, incorporating technical innovation contributions from said Indigenous Peoples and taking into account the framework of SNIP (as hereinafter defined); said plan may be amended from time to time with the Bank’s prior approval and is published and available to the public on the website www.incagro.gob.pe;

(m) “Macro-Regional Consultative Councils” means oversight bodies within each macro region in the Borrower’s territory, operating under the Borrower’s Ministerial Resolution No. 0201-2005-AG, dated February 24, 2005;

(n) “MOA” means the Borrower’s Ministry of Agriculture;

(o) “Pest Management Plan” means the Borrower’s plan dated February 24, 2005 outlining implementation procedures, mitigation measures and monitoring

guidelines in relation to activities under the Project involving the use of pest control products; said plan may be amended from time to time with the Bank's prior approval and is published and available to the public on the website www.incagro.gob.pe;

(p) "Procurement Plan" means the Borrower's procurement plan dated February 22, 2005 covering the entire period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Paragraph 4 of Schedule 5 to this Agreement;

(q) "Producer Organizations" means any producer group in the agricultural sector for the benefit of which a Subproject under the Project is to be carried out, and which includes, *inter alia*, commodity associations, traditional *campesino* community organizations, irrigation user groups, cooperatives, indigenous peoples' and women's organizations;

(r) "Project Operational Manual" means the manual approved by the Borrower through Ministerial Resolution No. 0201-2005-AG, dated February 24, 2005, outlining policies and implementation procedures including institutional strengthening, social and gender mitigation plans as well as monitoring guidelines and guidelines for the selection of Subprojects in accordance with SNIP and other related documents for the Project. Said manual may be amended from time to time with the Bank's prior approval, and such term includes any schedules to the Project Operational Manual, including the Indigenous Peoples' Development Plan, the Environmental Impact Action Plan and the Pest Management Plan;

(s) "Report-based Disbursements" means the Borrower's option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(t) "SNIP" means '*Sistema Nacional de Inversión Pública*', the Borrower's national system of public investment created and operating under Law No. 27293, dated June 28, 2000 and establishing principles, processes, methodologies and technical guidelines for every phase of public investment in the Borrower's territory;

(u) "Special Account" means the account referred to in Part B of Schedule 1 of this Agreement;

(v) "Strategic Services Development Fund" means the competitive fund to strengthen strategic research capacity in the Borrower's territory, created and operating under the Borrower's Ministerial Resolution No. 0201-2005-AG, dated February 24, 2005;

(w) “Subproject” means any of the adaptive research, extension services, technical training, qualification and technical assistance, and strategic research activities approved by INCAGRO-PMU in accordance with the criteria and procedures set forth in the Subproject Operational Manual (as hereinafter defined) and in paragraph 5 of Schedule 5 to this Agreement;

(x) “Subproject Agreement” means an agreement for the financing of a Subproject as referred to in paragraph 5(d) of Schedule 5 of this Agreement;

(y) “Subproject Grant” means a grant made, or proposed to be made, by the Borrower through INCAGRO-PMU in accordance with the criteria and procedures set forth in the Subproject Operational Manual (as hereinafter defined) to finance a Subproject; and

(z) “Subproject Operational Manual” means the manual referred to in paragraphs 1(a), 5(a) and 5(c) of Schedule 5 to this Agreement, outlining technical, financial, accounting, budget, procurement, social, environmental, monitoring and evaluation policies as well as implementation procedures for Subprojects; said manual may be amended from time to time with the Bank’s prior approval.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twenty five million Dollars (\$25,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services (including those financed through Subproject) required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

Section 2.03. The Closing Date shall be June 30, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to Paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in Paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. The Borrower’s Minister at the time responsible for Finance or the Borrower’s Director General at the time responsible for public indebtedness, and any person or persons whom he or she shall designate in writing 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, Part B of Schedule 1 to this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out the Project through the INCAGRO-PMU with due diligence and efficiency and in conformity with appropriate administrative, social, financial, public utility and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, through the INCAGRO-PMU, shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project, including those financed through Subproject, and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower, through INCAGRO-PMU, shall update the Procurement Plan in accordance with the provisions of Paragraph 4 of Schedule 5 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower, through the INCAGRO-PMU, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than twelve (12) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

Section 3.04. The Borrower, through INCAGRO-PMU, shall furnish or cause to be furnished to the Bank, no later than six months after the Effective Date, the contract appointing the Independent Auditors referred to in Section 4.01 (b) (i) of this Agreement, under terms of reference and with qualifications and experience satisfactory to the Bank and in accordance with the provisions of Section III of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through INCAGRO-PMU, shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through INCAGRO-PMU, shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), commencing with the fiscal year in which the first withdrawal under the Loan was made, audited, in accordance with consistently applied auditing standards acceptable to the Bank, by Independent Auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other

period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

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

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower, through INCAGRO-PMU, shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 2 of Schedule 5 to this Agreement, the Borrower, through INCAGRO-PMU, shall prepare, or cause to be prepared and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

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

explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

ARTICLE V

Remedies of the Bank

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower, through INCAGRO-PMU, has adopted the Subproject Operational Manual, in form and substance satisfactory to the Bank.

Section 6.02. The date, October 4, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Borrower's Minister at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Peru
Facsimile: (511) 426-8500

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

REPUBLIC OF PERU

By /s/ Pedro Pablo Kuczynski
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marcelo M. Giugale
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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

<u>Category</u>	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures <u>to be financed</u>
(1) Works	79,000	75%
(2) Goods	462,000	75%
(3) Consultant Services	1,720,000	75%
(4) Training	1,340,000	75%
(5) Subprojects	20,594,000	100% of amount disbursed
(6) Operating Costs	530,000	10%
(7) Premium for Interest Rate Caps and Collars	0	Amount due under Section 2.09 (c) of this Agreement
(8) Front-end fee	125,000	Amount due under Section 2.04 of this Agreement
(9) Unallocated	150,000	
TOTAL	<u>25,000,000</u> =====	

2. For the purposes of this Schedule:

(a) the term "Operating Costs" means the reasonable incremental expenses incurred on account of Project implementation, management and monitoring, including insurance, vehicle and equipment operation, bank charges on the Special Account, transport, travel, per diem, and supervision costs and local contractual staff salaries but excluding salaries of officials of the Borrower's civil service at the national and at the local levels; and

(b) the term "Training" means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel and per-diem of trainers and trainees; and (iii) any other expenses related to training (including study tours and workshops) to be carried out under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$400,000 equivalent, may be made in respect of Categories (1) through (4) of the table in paragraph A.1 of this Schedule, on account of payments made for expenditures during the twelve months immediately before that date but in any case after March 1, 2005.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) non-Subproject goods costing less than \$200,000 equivalent per contract; (b) non-Subproject services of consulting firms under contracts costing less than \$50,000 equivalent per contract; (c) non-Subproject services of individual consultants costing less than \$25,000 equivalent per contract; and (d) works, training expenses, operating costs and all Subprojects; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. Upon receipt of a notification from the Bank allowing the establishment of the Special Account and to facilitate the carrying out of the Project, the Borrower through

INCAGRO-PMU may open and maintain in Dollars a separate special deposit account in *Banco de la Nación*, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

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

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

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

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

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

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

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may

be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

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

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the

Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to alleviate poverty by contributing to the sustainable development of an integrated, pluralistic, private sector-led, decentralized, agrarian system of technological innovation in order to increase the productivity, profitability and competitiveness of the agricultural sector through the generation and adoption of environmentally sound technologies.

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

Part A: Strengthening the Market for Innovation Services

Develop a decentralized and efficient market for professional services in agricultural innovation by:

1. Supporting a decentralized Competitive Agricultural Technology Fund to co-finance, on a grant basis, the carrying out of Subprojects.
2. Improving the managerial capacity of agricultural service suppliers and Producer Organizations to formulate and implement quality services through the promotion of fora, professional internships and training workshops.

Part B: Strengthening the National Agricultural Research and Development System

Improve the agricultural research and development system by managing the Strategic Services Development Fund by:

1. Supporting national and international partnerships for research activities and capacity building in: (a) genetic resources conservation and use; (b) biotechnology; (c) integrated pest management; (d) natural resource management; (e) post-harvest handling; and (f) conservation agriculture.
2. Supporting regional training and information programs for Extension Service Providers.

3. Co-financing professional training fellowships for researchers in high priority areas of strategic agricultural research.

Part C: Monitoring and Evaluation, Information Sharing and Policy for Innovation

Strengthen institutional capacity of the public sector to formulate and implement agricultural innovation policy and coordinate investments in the agricultural sector in conjunction with the private sector by:

1. Developing a monitoring and evaluation framework to generate performance measurement standards for the modernization of the agricultural innovation system services, as well as to monitor and evaluate Subprojects.
2. Designing and implementing a public information system on agricultural technology and innovation, including Subprojects, available to all stakeholders participating in agricultural innovation and to the general public.
3. (a) Carrying out studies (including consultations) to, *inter alia*, develop policies in the area of agricultural science technology; (b) creating a science, technology and innovation agenda; (c) identifying constraints on the development, adoption and dissemination of agricultural innovation; (d) supporting the technical and decentralized units of INCAGRO-PMU; and (e) establishing a technology innovation policy focal point in MOA.

Part D: Project Implementation

1. Support INCAGRO-PMU in its day-to-day management of the Project, through the provision of technical advisory services, the acquisition of equipment and vehicles and the financing of operating costs.
2. Support the Executive Council and the Macro-Regional Consultative Councils in their implementing roles in the decentralized innovation system.

* * *

The Project is expected to be completed by December 31, 2008.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each January 15 and July 15 Beginning on July 15, 2013 through July 15, 2018	8.33%
On January 15, 2019	8.37%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

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

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

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

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower by domestic suppliers.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 but more than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost \$50,000 equivalent per contract or less and works estimated to cost \$250,000 equivalent per contract or less, may be procured under contracts awarded on the basis of Shopping. Non-consultant services (including training-related expenses) may also be procured under this method.

3. Direct Contracting. Non-consultant services (including training-related expenses), which the Bank agrees meet the requirements for Direct Contracting, may be procured in accordance with the provisions of this procurement method.

4. Community Participation. Small goods, works and services (other than consultant services) required for Subprojects and costing less than \$100,000 equivalent per contract shall be procured on the basis of community participation in accordance with provisions of paragraph 3.17 of the Procurement Guidelines and in accordance with procedures acceptable to the Bank as defined in the Subprojects Operational Manual, following to the extent possible, Shopping procedures.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$350,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least Cost Selection. Services for assignments estimated to cost less than \$50,000 equivalent per contract which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least Cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than US\$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

4. Commercial Practices. Services required for Subprojects estimated to cost less than \$100,000 equivalent per contract may be procured in accordance with commercial practices acceptable to the Bank as defined in the Subproject Operational Manual.

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

Section IV. Review by the Bank of Procurement Decisions

A. Prior Review. Except as the Bank shall otherwise determine by notice to the Borrower, the following prior review procedures shall apply:

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

(a) The prior review procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Procurement Guidelines shall apply to: (i) each contract awarded with the use of International Competitive Bidding; (ii) each contract for goods and services (other than consultants' services) estimated to cost the equivalent of \$120,000 or more; (iii) the first two contracts awarded under National Competitive Bidding procedures; (iv) the first two contracts for goods and works awarded under shopping procedures; (v) the contracts for goods, works and services (other than consultants' services) awarded for Subprojects under Community Participation Procedures and estimated to cost \$50,000 equivalent or more; and (vi) each contract for works estimated to cost \$500,000 equivalent or more.

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

2. Consultants' Services Provided by Firms

(a) The prior review procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more.

(b) The following prior review procedures shall apply to each contract for consultants' services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been

given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. Consultants' Services Provided by Individuals

(a) The prior review procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by an individual estimated to cost the equivalent of \$25,000 or more.

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

Section V. Post Review

A. Post Review

1. With respect to each contract for goods, works or services (other than consultants' services) not governed by Part A of this Section, the post review procedures set forth in paragraph 5 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants' services not governed by Part A of this Section, the post review procedures set forth in paragraph 5 of Appendix 1 to the Consultant Guidelines shall apply.

Section VI. Special Provisions

A. In addition and without limitation or restriction to any other provision set forth in this Schedule or the Guidelines, the following provisions shall govern all procurement of goods, works and non-consultant services under Section II of this Schedule:

1. No reference value shall be required for publication in the bidding documents.

2. Award of contracts shall be based exclusively on price and, whenever appropriate, shall take into account factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.

3. The Borrower, through INCAGRO-PMU, shall utilize standard bidding documents satisfactory to the Bank.

4. Foreign bidders shall not be required to legalize their bids or any documentation related to such bids with either Peruvian consulates, the Ministry of Foreign Affairs, or any Peruvian authorities, as a pre-condition to participate in the bidding process.

B. In addition and without limitation or restriction to any other provision set forth in this Schedule or the Consultant Guidelines, the following provisions shall govern all employment of consultants referred to in Section III of this Schedule:

1. Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.

2. No reference value shall be required for publication in the proposal documents.

3. No minimum number of responsive proposals shall be required prior to awarding a contract for consulting services.

4. Foreign consultants shall not be required to legalize their proposals or any documentation related to such proposals with either Peruvian consulates, the Ministry of Foreign Affairs, or any Peruvian authorities, as a pre-condition to participate in the selection process.

SCHEDULE 5

Implementation Program

1. General

The Borrower, through INCAGRO-PMU shall:

(a) carry out the Project or cause the Project to be carried out in accordance with: (i) the Project Operational Manual, including, the Environmental Impact Action Plan, the Indigenous Peoples' Development Plan and the Pest Management Plan and (ii) the Subproject Operational Manual, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail;

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

(c) maintain until the completion of the execution of the Project, INCAGRO-PMU with competent staff in adequate numbers including the following key staff members: an executive project director, a legal adviser, a planning and budget specialist, an executive assistant, a procurement specialist, a financial analyst and an administrative unit head;

(d) maintain until the completion of the execution of the Project, technical and decentralized sub-units within the INCAGRO-PMU including a monitoring and evaluation sub-unit;

(e) maintain, until the completion of the execution of the Project, the Executive Council and the Macro-Regional Consultative Councils.

2. Semi-Annual Progress Reports and Mid-Term Review

The Borrower, through INCAGRO-PMU and within the framework of SNIP, shall:

(a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 31 and July 31 of each year, starting on the first such date after the Effective Date, a semi-annual progress report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(b) review with the Bank, by February 28 and August 31 of each year, starting on the month following the presentation of the first semi-annual progress report, or such later date as the Bank shall request, the report referred to in subparagraph (a) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter;

(c) by July 31, 2007, or such other date as the Bank shall agree upon, carry out jointly with the Bank a mid-term review of the implementation of operations under the Project (Midterm Review). The Midterm Review shall cover the progress achieved in the implementation of the Project; and

(d) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the Bank.

3. Annual Procurement Audits

The Borrower, through INCAGRO-PMU, shall:

(a) have all the procurement records and documentation for each fiscal year of the Project audited, in accordance with appropriate procurement auditing principles, by Independent Auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such fiscal year, the procurement audit report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning said procurement records and documentation and the procurement audit thereof as the Bank shall from time to time reasonably request.

4. Procurement Plan

The Borrower, through INCAGRO-PMU, shall:

(a) furnish to the Bank, on or about January 31 and July 31 of each year, starting on July 31, 2005, the updated Procurement Plan, satisfactory to the Bank, detailing all procurement activities under the Project for the following twelve months;

(b) review with the Bank, by February 28 and August 31 of each year, starting on August 31, 2005, or such later date as the Bank shall request, the plan referred to in subparagraph (a) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the plan based on its recommendations and the Bank's views on the matter.

(c) In case of any conflict between the terms of the Procurement Plan and those of this Agreement, the terms of this Agreement shall prevail.

5. Subprojects

(a) Without limitation upon the provisions of paragraph 1 of this Schedule, the Borrower, through INCAGRO-PMU, shall monitor the activities of the Subprojects in accordance with the provisions of this paragraph, the Project Operational Manual and the Subproject Operational Manual that include, *inter alia*:

- (i) the administrative rules and procedures for the planning, preparing, proposing, selecting (on a competitive basis, and following a process of peer review), contracting, financing, implementing, supervising, monitoring and evaluating Subprojects;
- (ii) the eligibility rules for Beneficiaries;
- (iii) a model form of a Subproject Agreement;
- (iv) an indigenous peoples' action plan setting forth the strategies, procedures, activities, and monitoring indicators addressing, in a culturally appropriate manner, indigenous peoples'

concerns in the implementation of the Project, as well as gender-specific plans for planning, preparation and proposals of Subprojects;

- (v) the environmental criteria for screening and selecting Subprojects, and mandatory safeguards and mitigation actions for any such Subprojects, which could possibly have a negative environmental impact such as in particular, use of any pesticides, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increase in pesticides in food, increase in soil erosion, impact on parks and protected areas, and encroachment on natural habitats; and
- (vi) the procedures related to the manufacturing, packaging, labeling, handling, storing, and disposal of any pesticides used in the carrying out of Subprojects.

(b) The Borrower, through INCAGRO-PMU, shall, prior to the submission of the Loan withdrawal application for the respective activity to be financed through a Subproject Grant, furnish to the Bank a report confirming that the respective Subproject Agreement has been executed, indicating the name of the Beneficiary and detailing how the selection was conducted.

(c) The Subproject Grants shall be requested by a Beneficiary up to an aggregate amount specified for each selection process in accordance with the Project Operational Manual and shall be used solely for the purposes of the activities of the Project.

(d) The Subprojects shall be carried out pursuant to an agreement, to be concluded between the Borrower (through INCAGRO-PMU) and the Beneficiary under terms and conditions described in more details in the Subproject Operational Manual and which shall include the following:

- (i) a copy of the approved activity with its budget, its feasibility study, its disbursement and its performance indicators;
- (ii) provisions requiring the financing to be made on a partial grant basis;
- (iii) the obligation of the Beneficiary to: (A) carry out the activities with due diligence and efficiency and in accordance with sound administrative, financial, agricultural, social, natural and

environmental standards and in accordance with the provisions of the Subproject Operational Manual; (B) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Subproject Operational Manual, the operations, the resources and expenditures in respect of the Subproject Grant; (C) maintain adequate reporting in accordance with the standards specified in the Subproject Operational Manual; and (D) make a contribution in kind or/and in cash as defined in the Subproject Operation Manual;

- (iv) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Subproject Grants shall be procured in accordance with the procedures set forth in Schedule 4 to this Agreement; and (B) such goods works and services shall be used exclusively in the carrying out of the activities financed by the Subproject Grant;
- (v) the right of the INCAGRO-PMU to inspect, by itself or jointly with the MOA and the Bank, if the Bank shall so request, the goods, works, sites, plants and construction included in the activities financed by the Subprojects, the operations thereof and any relevant records and documents;
- (vi) the right of the INCAGRO-PMU to obtain all information as the MOA or the Bank shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Subprojects; and
- (vii) (A) the right of the INCAGRO-PMU to suspend and terminate the right of the Beneficiary to use the proceeds of the Subproject; and (B) the obligation of the Beneficiary to refund any used portion of the Subproject to the INCAGRO-PMU; upon failure by the Beneficiary to perform any of its obligations under its Subproject Agreement.

SCHEDULE 6

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Borrower and the Bank:

Performance Indicators	Target Dates	
	Mid Term	End of Project
1. Number of producers participating in extension and adaptive research Subprojects with at least 25% of co-financing.	24,000	46,000
2. Number of macro-regional programs of extension and adaptive research established nationwide.	8	8
3. Number of extension and adaptive research Subprojects co-financed.	140	263
4. Number of Subprojects co-financed with female and indigenous organizations.	150	330
5. Number of established strategic research programs on agricultural innovation.	4	6
6. Number of co-financed Subprojects in strategic research.	28	48
7. A system of Monitoring and Evaluation (M&E) of science, technology and innovation is implemented nationwide.	1	1