

CONFORMED COPY

CREDIT NUMBER 3031 MD

Development Credit Agreement

(Rural Finance Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 28, 1998

CREDIT NUMBER 3031 MD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 28, 1998, between REPUBLIC OF MOLDOVA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) Part A of the Project will be carried out by Moldova Microfinance Alliance (MMA), Parts A and B of the Project will be carried out by the Borrower and Parts C and D of the Project will be carried out by Rural Finance Corporation (RFC) with the Borrower 's assistance, and as part of such assistance, the Borrower will make available to RFC part of the proceeds of the Credit as provided in this Agreement;

(C) MMA intends to contract from the Soros Foundation (Soros) a grant in a principal amount equal to \$200,000 to assist in financing a portion of Part A of the Project on the terms and conditions set forth in an agreement to be entered into between MMA and Soros (the Soros Grant Agreement);

(D) MMAC) The Borrower intends to contract from Gesellschaft fuer Technische Zusammenarbeit (GTZ) a grant in a principal amount of DEM 800,000 to assist in financing a portion of Part A of the Project on the terms and conditions set forth in an agreement to be entered into between MMA and GTZ (the GTZ Grant Agreement);

(E) MMA intends to contract from Women's World Banking (WWB) a grant in a principal amount of \$120,000 to assist in financing a portion of Part A of the Project on the terms and conditions set forth in an agreement to be entered into between MMA and WWB (the WWB of Part A of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and GTZ (the GTZ Grant Agreement); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty (30) days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "Beneficiary" means an individual private farmer or individual rural entrepreneur who is a member of an Eligible SCA (as defined hereinafter);
- (b) "Development NGO" means a non-profit organization registered with the Borrower's Ministry of Justice and established and operating under the Borrower's Law on Non-Governmental Associations adopted by the Parliament of the Borrower on May 17, 1996;
- (c) "Eligible SCA" means an SCA (as defined hereinafter) which meets the eligibility criteria set out in paragraph 1 of Section II of Schedule 4 to this Agreement;
- (d) "Lei" means the lawful currency of the Borrower;
- (e) "Operations Manual" means the operations manual to be adopted by RFC pursuant to Section 6.01(b) of this Agreement governing the lending policies and practices of RFC under Part D of the Project;
- (f) "Project Preparation Advance" means the project preparation advance made available by the Bank to the Borrower pursuant to an exchange of letters dated February 4, 1997 and March 3, 1997, between the Borrower and the Bank, as amended on June 18, 1997;
- (g) "Reference Rate" means the rate agreed from time to time between the Borrower and the Association for the purposes of Section 3.01 (c) of this Agreement calculated with reference to the National Bank of Moldova's auction rate for ninety (90) day funds in Lei;
- (h) "RFC" means the Rural Finance Corporation, established as a [financial] joint stock company pursuant to Section 6.01(b) of this Agreement joint stock company under the Borrower's Law on Joint Stock Companies and registered with the Borrower's Ministry of Justice under Registration No. 103092147 on November 28, 1997;
- (i) "RFC Prudential Rules" means the prudential rules for the operations of RFC to be adopted by its General Assembly of Shareholders pursuant to Section 6.01(b) of this Agreement adopted by its Board of Directors on November 15, 1997;
- (j) "RFC Statutes" means the statutes of RFC to be adopted by the General Assembly of Shareholders orf RFC pursuant to Section 6.01(b) of this Agreement;
- (k) "RFC Subsidiary Agreement" means the agreement to be entered into between the Borrower and RFC pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the RFC Subsidiary Agreement;
- (l) "RFPIU" means the rural finance project implementation unit established within the Borrower's Ministry of Finance pursuant to Government Decision No. 306 dated March 28, 1997, for the purpose of coordinating and overseeing the activities under the Project;
- (m) "SCA" means a savings and credit association registered with the Borrower's Ministry of Justice and operating pursuant to the SCA Law and the SCA Prudential Rules (each as defined hereinafter);
- (n) "SCA Law" means the Law on Savings and Credit Associations of Citizens to be adopted by the Parliament of the Borrower and referred to in Section 6.01 (a) of this Agreement;
- (o) "SCA Loan" means a loan made or to be made to a Beneficiary by an Eligible SCA for a Subproject out of the equivalent of the proceeds of the Credit relent to such SCA by RFC;
- (p) "SCA Prudential Rules" means the prudential rules adopted by the [General Assembly] of an SCATO be established from time to time by the Borrower or any state

regulatory body for SCAs for the financial operations of such SCASCAs, as agreed with the Association;

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

(r) "Subloan" means a loan or credit made or proposed to be made by RFC to an Eligible SCA for on-lending to Beneficiaries out of the equivalent of the proceeds of the Credit relented to RFC, on such terms and conditions as shall be consistent with the Operations Manual;

(s) "Subproject" means a specific investment project for a productive activity which meets the criteria specified in the [Operations Manual] Operations Manual, to be carried out by a Beneficiary utilizing the proceeds of an SCA Loan; and

(t) "Subsidiary Loan" means a loan or credit made by the Borrower to RFC for the purpose of on-lending to Eligible SCAs under the RFC Subsidiary Agreement pursuant to Section 3.01 (c) 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 three million seven hundred thousand Special Drawing Rights (SDR 3,700,000).

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

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

(ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by an Eligible SCA on account of withdrawals made by a Beneficiary under an SCA Loan to meet the reasonable cost of goods and, works and services required for the Subproject financed, in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

Section 2.03. The Closing Date shall be June 30, 2000, 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 (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and

(ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 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 percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 2008 and ending July 15, 2032. Each installment to and including the installment payable on July 15, 2017 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall carry out Part B of the Project [through the RFPIU]s A and B of the Project through the RFPIU with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering/agricultural, environmental, and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A and B of the Project; and

(ii) without any limitation or restriction upon any of its other obligations under this Agreement, shall cause RFC to carry out Parts C and D of the Project and MMA to carry out Part A of the Project, each with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, environmental and technical practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable RFC and MMA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A and B of the Project and cause RFC to carry out Parts C and D of the Project and MMA to carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) For the purposes of Parts C and D of the Project, the Borrower shall enter into a subsidiary agreement with RFC under which it shall:

(i) make available to RFC on a grant basis the equivalent of the proceeds allocated from time to time to Category (1) (b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under the RFC Subsidiary Agreement; and

(ii) shall relend the proceeds of the Credit allocated from time to time to Category (2)ies (1)(b), (3), (4)(a), (5) and (6) of the table set forth in paragraph 1 of Schedule 1 to this Agreement to RFC under the RFC Subsidiary Agreement to be entered into between the Borrower and RFC under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(A) the principal amount of the Subsidiary Loan shall be repaid by RFC in Lei to the Borrower in equal semi-annual installments over fifteen(A) thirty-five (35) years, including a grace period of ten (10) years in respect of the first SDR 1,500,000 equivalent of amounts withdrawn under the Subsidiary Loan; and

(B) twenty (20) years, including a grace period of five (5) years; in respect of the remaining amounts withdrawn under the Subsidiary Loan;

(iii) the principal amount of the Subsidiary Loan repayable by RFC shall be the equivalent in Lei (determined as of the date, or respective dates, of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies withdrawn from the Credit Account in respect of Category (2);ies (1)(b), (3) and (4);

(iv) interest shall be charged on the outstanding balance of a Subsidiary Loan at the following rates: (A) in respect of the first SDR1,500,000 outstanding under the Subsidiary Loan, at a rate equal to the rate payable by the Borrower pursuant to Section 2.05 of this Agreement; and (B) in respect of the balance of the Subsidiary Loan, at a rate equal to the Reference Rate.

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

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

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

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

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for 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 six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(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) 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) 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.

Section 4.02. (a) The Borrower shall cause RFC to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of RFC and to register separately the operations, resources and expenditures related to Parts C and D of the Project.

(b) The Borrower shall cause RFC to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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 [six]four months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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 SCA Law or the SCA Prudential Rules shall have been amended, abrogated, repealed or otherwise modified so as to affect materially and adversely the ability of the Borrower to achieve the objectives of the Project.

(b) The RFC Statutes or the RFC Prudential Rules shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of RFC or its ability to carry out Parts C or D of the Project.

(c) The Operations Manual shall have been amended, abrogated, repealed or otherwise modified without the Association's prior approval.

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

(e) More than 10 percent (10%) of the total principal amount then outstanding of all Sub-loans made by RFC to Eligible SCAs shall have been overdue for a period of more than sixty (60) days.

(f) The Soros, WWB and GTZ Grant AgreementsGTZ Grant Agreement shall have failed to become effective by June 30, 1998 or such later date or dates as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

(g) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring 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 (h) of the General Conditions, the following additional event is specified: namely that any event specified in paragraphs (a), (b), (c), (d) and (e) of Section 5.01 of this Agreement shall occur.

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) the SCA Law, as agreed with the Association, has been adopted by the Parliament of the Borrower and has entered into force;

(b) the been established as a joint stock company and registered with the RFC Prudential Rules and the Operations Manual, in each case satisfactory to the Association, have been adopted by RFC and a General Director of RFC with qualifications and experience satisfactory to the Association has been appointed; and

(c) the RFC Subsidiary Agreement has been executed on behalf of the Borrower and RFC.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) the SCA Law has been adopted and entered into force; and

(b) RFC has been duly established and the other actions specified in Section 6.01 (b) have been duly taken; and

(c) the RFC Subsidiary Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and RFC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance,
Cosmonaut Street, 7
Chisinau 277005MD-2012
Republic of Moldova

Cable address:

Telex:

228610

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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

REPUBLIC OF MOLDOVA

By /s/ Valeriu Chitan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Parks

Authorized Representative

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) Consultants' services and training		100%
(a) under Part B of the Project	55,000	
(b) under Part C of the Project	75,000	
(2) Goods under Part B of the Project	40,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) SCA Loans under Part D of the Project	2,810,000	100% of amounts disbursed
(4) Incremental Operating Costs		100%
(a) of RFC	50,000	
(b) of RFPIU	20,000	
(5) Refunding of Project Preparation	550,000	Amounts due pursuant to Section 2.02 (c)

	Advance	of this Agreement
(6)	Unallocated	100,000
	TOTAL	3,700,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means operating expenses of each of RFC and RFPIU which would not have been incurred absent the Project including, but without limitation, staff salaries, expenses in respect of office accommodation, equipment and supplies, transportation and communication costs and other administrative expenses.

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 the equivalent of [\$500,000]SDR 370,000 may be made in respect of Categories (1) and (2), (2), (3) and (4) on account of payments made for expenditures before that date but after October 9, 1997.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods and works [and training]^ under contracts costing less than \$200,000 and; (ii) SCA Loans, training and incremental operating costs; and (iii) services under contracts with consultant firms costing less than \$100,000 equivalent each, and contracts with individual consultants costing less than \$50,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to establish and develop a co-operative rural banking financial system to provide financial services to individual private farmers and small rural entrepreneurs.

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

Part A: Development of SCAs

Establishment and development of SCAs in rural areas through the provision of technical assistance and training.

Part B: Establishment of Regulatory Body for SCAs

(1) Establishment of a regulatory body for SCAs to [monitor compliance of SCAs with the SCA Rules]national supervisory and regulatory body for SCAs through the provision of technical assistance, auditing services, equipment and training.

(2) Project implementation support for the RFPIU through the provision of technical assistance, equipment, training and the financing of incremental operating costs.

Part C: Establishment of RFC

Establishment and development of RFC through the provision of technical assistance, auditing services and training, equipment and training and the financing of incremental operating costs.

Part D: Credit Line for SCAs

The financing of Subprojects through SCA Loans by Eligible SCAs to Beneficiaries.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods under Parts B and C of the Project shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: Procurement Procedures

1. National Shopping

Goods under Parts B and C of the Project may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Post Review

With respect to each contract for goods under Parts B and C of the Project, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of this Schedule.

Part B: Procedures for the Selection of Consultants

1. Least-cost Selection

Auditing services under Parts B and C of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed

plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$[100,000]100,000 or more the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Section I: Implementation

1. For the purposes of overall coordination and supervision of the Project execution, the Borrower shall maintain at all times during the execution of the Project the RFPIU which shall be headed by a director, whose qualifications, terms of reference and experience shall be satisfactory to the Association, and who shall be assisted by key staff in adequate numbers satisfactory to the Association.

2. The Borrower shall:

(a) [engage consultants to carry out Part B (1) of the Project, and by _____, establish and thereafter] maintain aensure that at all times during Project implementation, RFPIU or a national supervisory and regulatory body^ for acceptable to the Association, supervises SCAs participating under Part D of the Project; and

(b) by August 31, 1998, engage consultants to prepare a plan for the establishment and operations of a national supervisory and regulatory body under Part B (1) of the Project and, by March 1, 1999, establish such body taking into consideration the recommendations of such consultants and the Association.

3. For the purposes of carrying out Part A of the Project, the Borrower shall, prior to _____, cause RFC to enter into an agreement with MMA for the provision of advisory services by MMA to [RFC/SCAs]through the RFPIU, engage the services of Development NGOs acceptable to the Association to provide advisory services to SCAs.

4. For the purpose of carrying out Part D of the Project, the Borrower shall:

(a) cause RFC to carry out its operations in accordance with the RFC Prudential Rules;

(b) cause RFC to apply the procedures and guidelines set out in the Operations Manual; and

(c) cause RFC to: (i) make Subloans on the terms set out in Section II of this Schedule, and (ii) cause Eligible SCAs to make SCA Loans on the terms set out in Section III of this Schedule.

Section II: Terms and conditions of Subloans

Subloans shall be made on terms and conditions whereby RFC shall:

1. Make Subloans in accordance with the RFC Prudential Rules and the Operations Manual to SCAs which fulfill the following eligibility criteria:

(a) the SCA has been registered in accordance with the SCA Law; is a member of RFC and has made [all necessary contributions] (b) the SCA has made all necessary contributions to the capital of RFC in accordance with the RFC Prudential Rules and RFC Statutes;

(b) the SCA has received training from a Development NGO Agency approved by the Association under Part A of the Project; and acceptable to the Association;

(c) the SCA has adopted the SCA Prudential Rules (d) the SCA is in compliance with the SCA Prudential Rules; and

(d) the SCA is located in a rural area in the territory of the Borrower.

2. Enter into Subloan Agreements with each Eligible SCA for the purpose of making available part of the proceeds allocated from time to time to Category (3) of the table set forth in Section 1 of Schedule 1 to this Agreement on such terms and conditions as shall be consistent with the RFC Prudential Rules and the Operations Manual.

3. Exercise its rights in relation to each Subloan in such manner as to protect its interests and the interests of the Borrower and the Association and to accomplish the purposes of the Credit.

4. Not assign, amend or waive any of its agreements providing for Subloans, or any provision thereof, without the prior approval of the Borrower and the Association.

Section III: Terms and Conditions of SCA Loans

SCA Loans shall be on terms and conditions whereby an Eligible SCA shall:

1. appraise Subprojects and supervise, monitor and report on the carrying out by Beneficiaries of Subprojects in accordance with procedures satisfactory to RFC and the Association;

2. make SCA Loans to Beneficiaries for Subprojects which meet the criteria specified in the Operations Manual, including, without limitation, those which are: (i) technically feasible and economically, financially and commercially viable; and (ii) in compliance with all environmental laws and standards of the Borrower and the guidelines for environmental assessment agreed with the Association;

3. make SCA Loans to Beneficiaries in accordance with the SCA Prudential Rules but which shall not, in any event, exceed a maximum amount of \$15,000 for each SCA Loan;

4. exercise its rights in relation to each SCA Loan in such manner as to protect its interests and the interests of RFC, the Borrower and the Association;

5. not assign, amend or waive any of its agreements providing for SCA Loans, or any provision thereof, without the prior approval of RFC;

6. require that: (i) goods, works and services to be financed out of the proceeds of the Credit shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery, efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor; and (ii) any such goods shall be used exclusively in the carrying out of Subprojects; and 76. require that no pesticides are financed under an SCA Loan which are classified as Category 1 (a) or 1 (b) by the World Health Organization.

Section IV: Monitoring

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Association, the carrying out of the Project and the achievement of the objectives thereof; (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (c) review with the Association, by March 31, 1999, or such later date as the Association shall request, the report referred to in subparagraph (b) 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 Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible categories" means Categories (1) and (2), (2), (3) and (4) 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, works and services required for the Project and goods and works required for Subprojects 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 \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of [\$2,000,000 equivalent]SDR 1,000,000.

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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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.



