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LOAN NUMBER 7364 SK

Loan Agreement

(Leader Preparation Technical Assistance Project)

between

SLOVAK REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 7, 2006

LOAN NUMBER 7364 SK

LOAN AGREEMENT

AGREEMENT, dated March 7, 2006, between SLOVAK REPUBLIC (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has established the Social and Institutional Development and Economic Management Technical Assistance Program (SIDEM Program) for Eligible Members of the European Union (EU) to help promote social and institutional development and economic management in eligible EU member countries;

(B) 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;

(C) the Project forms part of the SIDEM Program; and

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 forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or

services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank."

(b) 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".

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) "Agency for Rural Development" means the agency of the Borrower's Ministry of Agriculture tasked with supporting a broad range of rural development activities throughout the country;

(b) "APA" means the Agricultural Paying Agency, a budgetary organization established according to the Borrower's Law 473/2003Z.z., dated October 24, 2003, for the purpose of supporting agriculture, food processing, forestry, fisheries, and rural development in the Slovak Republic through provision of funds from the Government of Slovakia, as well as from the European Community Budget of the Ministry of Agriculture of the Borrower, and any successor thereto;

(c) "Eligible Categories" means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(d) "Eligible Expenditures" means the expenditures for goods, consultants' services, training, Operating Costs and Pilot Projects referred to in Section 2.02 of this Agreement;

(e) "EU Leader Axis" means the program of the EU which provides member states with funding for new approaches to sustainable rural development applicable for the 2007-2013 programming period and encompassing a re-orientation of its rural development support policies according to three 'axes' under a single new funding instrument, the European Agricultural Fund for Rural Development;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(g) “Financing Agreement” means an agreement referred to in paragraph 2 of Section B of Schedule 4 to this Agreement: (i) to be entered into between the Borrower, through its Ministry of Agriculture, and a Local Action Group (as hereinafter defined in paragraph (h) of this Section) in compliance with the EU requirements for the EU Leader Axis for eligible projects thereunder; and (ii) making a portion of the proceeds of the Loan available to the said Local Action Group and final beneficiaries for the carrying out of a Pilot Project (as hereinafter defined in paragraph (l) of this Section), and such term includes all schedules to the Financing Agreement;

(h) “Local Action Group” and the acronym “LAG” mean a balanced and representative group of partners, comprising more than fifty percent (50%) representation from the private sector, non-governmental organizations, and individual persons, drawn from different socioeconomic sectors in a given territory, able to devise and implement together a development strategy for the territory, formed for the purpose of implementing projects eligible for financing under the EU Leader Axis, representing no more than one hundred thousand (100,000) and not less than ten thousand (10,000) persons, and responsible for all aspects of implementation of EU Leader Axis projects, including project screening and approval, monitoring (both physical and impact), payments;

(i) “MOA” means the Borrower’s Ministry of Agriculture, and any successor thereto;

(j) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(k) “Operational Manual” means the manual to be developed and adopted by the Borrower, through the MOA, setting forth the procedures and guidelines for the day-to-day operations of the LAGs under Part C of the Project, as the same may be updated and amended from time to time in accordance with the provisions of paragraph 1 of Section B of Schedule 4 to this Agreement;

(l) “Pilot Project” means a development project, meeting the criteria set forth in the Operational Manual, for, *inter alia*; (i) the use of new technologies to make the products and services of rural areas more competitive; (ii) improving the quality of life in rural areas; (iii) adding value to local products; (iv) making the best use of natural and cultural resources; (v) restoring the cultural heritages of sites; and (vi) developing agro-tourism under Part C.2 of the Project;

(m) “Procurement Plan” means the Borrower’s procurement plan, dated September 21, 2005, covering the initial twelve (12) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding twelve (12) month periods (or longer) of Project implementation;

(n) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in paragraph 4 of Schedule 1 to this Agreement; and

(o) “Steering Committee” means the Steering Committee for the EU Leader Axis to be established by the Borrower in accordance with the provisions of paragraph 2 of Section A of Schedule 4 to this Agreement.

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 this Agreement, an amount equal to one million three hundred thousand Euro (EUR 1,300,000).

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 goods, works, consultants services, training, Operating Costs and Pilot Projects 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.

Section 2.03. The Closing Date shall be June 30, 2008, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) 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: (i) 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 (ii) 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.

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

Section 2.08. The Borrower shall repay the principal amount of the Loan in full on June 15, 2010.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the MOA with due diligence and efficiency and in conformity with appropriate administrative, agricultural, economic, environmental, financial and technical 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 shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than six (6) months after the date of the preceding Procurement Plan, for the Bank's approval.

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 Bank, and furnish to the Bank 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 Bank, a plan designed to ensure the continued achievement of the Project's objectives; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the MOA, shall 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 the MOA, 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), 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 (6) 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 the reports referred to in paragraph 4 of Schedule 1 to this Agreement (Report-based Disbursements) the Borrower, through the MOA, shall:

- (i) retain, until at least one (1) 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 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) The Borrower, through the MOA, shall prepare and furnish to the Bank a financial monitoring report, 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 forty-five (45) days after the end of the first calendar semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an 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 has provided to the Bank appropriate evidence attesting that the Borrower, through the MOA, shall have appointed the Project Director and the Project Deputy Director referred to in paragraph 1(b) of Section A of Schedule 4 to this Agreement with qualifications and under terms of reference satisfactory to the Bank.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
of the Slovak Republic
Ul. Stefanovicova 5
81782 Bratislava
P.O. Box 82
Slovak Republic

Telex:

21868

Facsimile:

(421-2) 5958-2196

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(1-202) 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 the District of Columbia, United States of America, as of the day and year first above written.

SLOVAK REPUBLIC

By: /s/ Rastislav Káčer

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Shigeo Katsu

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be financed</u>
(1) Consultants' services, training and workshops	800,000	100%
(2) Goods, services (other than consultants' services), works, consultants' services and training under Pilot Projects	406,750	100%
(3) Goods	10,000	100%
(4) Operating Costs	80,000	100%
(5) Front-end fee	3,250	Amount due under Section 2.04 of this Agreement
TOTAL	<u>1,300,000</u>	

2. For the purposes of this Schedule:

(a) the term "training and workshops" means expenditures incurred to finance the cost of training and workshops conducted for employees of the MOA, central and local staff of APA, and other regional and local government employees, as well as the training targeted to members of existing and new LAGs; and

(b) the term “Operating Costs” means expenditures incurred to finance the cost of office supplies, local travel and transportation (including fuel and per diem), communications and translation costs, and other minor costs associated with the efficient operation of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (i) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding EUR 50,000, may be made in respect of Categories (1) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after August 1, 2005; and (ii) Category (2), until and unless the Bank shall have received appropriate evidenced that the Borrower has adopted the Operational Manual in form and substance satisfactory to the Bank.

4. 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).

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the MOA and its subordinated organizations, as well as local governments, communities and civil society organizations, to develop their capacity to prepare for, and implement, the EU Leader Axis during the period 2007-2013.

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: Creation of Policy and Administrative Framework

Creation of the framework for policy-making processes and administrative decision-making between the MOA and its associated national and local level institutions, municipalities, local governmental structures, and communities, through the provision of technical assistance and goods required:

(a) to define the appropriate level of delegation of decision making power under the Leader Axis, e.g., level of decentralization of authority for projects selection, control and monitoring;

(b) to assess the status of local- and regional-level administrative authorities, specifically their capacities to implement the EU Leader Axis and, on such basis, subsequently provide clear recommendations on how to build the necessary skills within these authorities;

(c) to propose the most suitable co-financing system within the new EU Leader Axis;

(d) to assist national and local authorities to prepare all initial strategic documents needed for implementation of the EU Leader Axis, with specific reference to proposals for the 'checklist' for the APA;

(e) to develop criteria for selection of the Local Action Groups to be funded;

(f) to develop Guidelines for Local Strategy Development and Guidelines for LAG operations; and

(g) based on the foregoing analyses and recommendations, to build the technical capacity, through focused training, in the MOA, APA and local institutions so that they will be prepared to implement the new EU Leader Axis.

Part B: Mapping

Creation of a specialized map of the Borrower's territory, with specific delineation of possible microregions which could be eligible for inclusion in the EU Leader Axis pursuant to the relevant criteria from the EU, and which will also assist the municipalities in defining their opportunities for cooperation among themselves, through the provision of technical assistance required:

(a) to undertake new analyses of completed and/or ongoing studies on rural areas in the country, using existing data to determine the main needs of rural regions from the EU Leader Axis perspective; and

(b) based on the above, to develop a specialized map of Slovak rural areas which would be most suitable for implementation of the EU Leader Axis.

Part C: Formation and Training of Local Action Groups and Implementation of Pilot Projects

1. Provision of technical assistance: (i) to form and train selected working groups from different microregions across the country which have received training and assistance with local development plan formation with the view to assist them further in their development to become fully functioning LAGs, including the development of the Local Training Manual and the Operational Manual; and (ii) in all eligible areas of the country based on the mapping under Part B hereof, to attempt to form at least ten-twelve (10-12) fully functional LAGs by the end of 2006.

2. Carrying out of selected Pilot Projects utilizing the EU Leader Axis in at least (3) three regions of the Borrower's territory, with a view to enable the MOA's authorities to obtain practical experience with this new rural development approach prior to the full implementation period in 2007-2013.

Part D: Creation of National Rural Network

Creation of the framework of the National Rural Network in the Slovak Republic to serve as the Leader Contact Point and rural information and data collection center for the country, through the provision of technical assistance to assist: (i) the Agency for Rural Development in reorganizing, strengthening, and developing its vision for the

future, including, among others, strategic directions and mission statements, staffing plans, and budgets; and (ii) the MOA in undertaking a broader determination of all rural actors, responsible authorities/persons, and administrative requirements necessary to make the Network functional and manage its operations.

* * *

The Project is expected to be completed by December 31, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: 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 methods 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 and Services (other than Consultants' Services)

1. Shopping. Goods, excluding those required for Pilot Projects under Part C.2 of the Project, shall be procured under contracts awarded on the basis of Shopping.

2. Community Participation. Goods, works and services (other than consultants' services) required for Pilot Projects under Part C.2 of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the Operational Manual.

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 \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-Cost Selection. Services for assignments 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 \$200,000 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. Community Participation. Services and training required for Pilot Projects under Part C.2 of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the 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, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

Section A. Institutional Arrangements

1. Ministry of Agriculture: The Project Team and the Working Group

(a) The Borrower, through the MOA, shall be responsible for the overall Project implementation, coordination and management of the Project, including all of its fiduciary aspects. To that end, the Borrower shall take all action required to ensure that the MOA is provided at all times with the required financial resources and technical assistance, including those needed to maintain, throughout Project implementation, the Project Team referred to in following paragraph (b).

(b) The Project Team shall consist of a Project Director, who shall have primary responsibility for all day-to-day operation of the Project, assisted by a core team including a Project Deputy Director and a Procurement Specialist appointed by the MOA, and two additional staff to assist the said core team in the financial management aspects of the Project as follows: (i) a Financial Manager, who shall closely cooperate with the Project Deputy Director on financial issues; and (ii) an APA Coordinator, who shall cooperate on Project-related paying and monitoring issues. In order to ensure the timely and efficient carrying out of the Project, the Borrower, through the MOA, shall maintain the Project Director, the Project Deputy Director and the core team throughout Project implementation with qualifications and under terms of reference satisfactory to the Bank.

(c) Until the Project is entirely completed, the Borrower shall maintain a Working Group of key technical professionals within the MOA and its associated agencies to assist with Project implementation. The Working Group shall meet on an *ad hoc* basis, as determined by the Project Director, to assist the Project Team with major tasks, including, among others, development of criteria for LAGs' selection and guidelines and strategies for LAGs' operations.

2. Steering Committee

Until the Project is entirely completed the Borrower shall maintain a Steering Committee with a composition and under terms of reference satisfactory to the Bank, and with particular consideration to the extension of its advisory role to include the provision of technical guidance under the Project.

Section B. Implementation Modalities and Mid-Term Review

1. Operational Manual

The Borrower, through the MOA, shall take all action required to ensure that: (i) the Operational Manual is applied and followed at all times in the implementation, procurement, monitoring and evaluation of Part C of the Project; (ii) Pilot Projects under Part C.2 of the Project are selected in accordance with the criteria therein set forth; and (iii) except as the Bank shall otherwise agree, the MOA do not assign, amend, abrogate or waive the Operational Manual or any provision thereof.

2. Financing Agreements

For the purposes of ensuring the successful implementation and monitoring of Part C.2 of the Project, the Borrower, through the MOA, shall conclude with each LAG eligible under the Project, a Financing Agreement satisfactory to the Bank which shall set forth the conditions and modalities for: (i) transferring to the relevant LAG a portion of the Loan proceeds on a grant basis for the purposes of financing part or the total cost of goods, works and services required for the Pilot Project; and (ii) carrying out and monitoring the implementation of the Pilot Project.

3. Training and Workshops

For the purposes of the training and workshops to be conducted for employees of the MOA, central and local staff of the APA, and other regional and local government employees, as well as the training targeted to members of existing and new LAGs, the Borrower shall:

(a) furnish to the Bank for its approval every six (6) months, the content of each such training and workshops, including an explanation on how such training and workshops is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees and participants in accordance with a transparent process and criteria satisfactory to the Bank;

(c) not later than December 1 of each year, exchange views with the Bank on the training and workshops to be carried out during the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each study training and workshop and the benefits to be derived therefrom.

4. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 15, 2007, 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 Bank, by February 15, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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.