

CONFORMED COPY

GRANT NUMBER H408-RW

Financing Agreement

(Second Rural Sector Support Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 2008

GRANT NUMBER H408-RW

FINANCING AGREEMENT

AGREEMENT dated July 24, 2008, entered into between REPUBLIC OF RWANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twenty one million three hundred thousand Special Drawing Rights (SDR 21,300,000) (variously, “Grant”, and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through its ministry at the time responsible for agriculture in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:

As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof shall be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.
 - (b) To finance its contribution for expenditures under the Project other than those financed from the proceeds of the Grant, the Recipient has:
 - (i) established or designated, in its central bank, an account, in Rwandan Francs, under terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure, and attachment;
 - (ii) deposited into said account an amount equivalent to \$250,000.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Rwanda

Facsimile:

250-57-75-81

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By:

/s/ James Musoni
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

/s/ Victoria Kwakwa
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase agricultural production and marketing in marshland and hillside areas targeted for development under the Project in an environmentally sustainable manner.

The Project constitutes the second phase of the Program, and consists of the following parts:

1. Marshland and Hillside Rehabilitation and Development
 - (a) Marshland Rehabilitation and Development
 - (i) Rehabilitation and development of gravity irrigation schemes in selected marshlands: (A) Kamiranzovu; (B) Cyunuzi; (C) Kibaya; (D) Kinyogo; (E) Sagatare; and (F) others as identified in accordance with the provisions of the Project Implementation Manual.
 - (ii) Stakeholder mobilization and capacity building in relation to sustainability of said activities, including:
 - (A) establishment of water user associations in marshlands targeted under Project;
 - (B) capacity building of key irrigation development and management stakeholders, including Rwanda Agricultural Development Agency, including participatory training in water management and irrigation system operation and maintenance, water user association management and administration, preparation of legal documents, development and implementation of participatory approaches, construction and maintenance of soil and water conservation structures, and sustainable land management;
 - (C) capacity building of key irrigation development and management stakeholders in relation to monitoring and evaluation, including piloting of participatory

monitoring and evaluation at gravity irrigation scheme-level for purposes of farmer-managed performance monitoring and improvement; and

- (D) establishment of, and provision of capacity-building support to, national association of irrigation professionals, including preparation of strategy and related action plan to ensure association viability and sustainability.

(b) Hillside Development

Productivity improvement investments in hillside farming systems associated with marshland irrigation schemes developed under Part 1 (a) (i) of Project, including promotion of:

- (i) cost-effective soil and water conservation technologies, such as progressive terracing, contour bunding with live hedge planting, Napier grass planting, mulching, ridge tying, and possible piloting of radical terracing in specific cases; and
- (ii) sustainable land management practices, such as conservation tillage, appropriate crop rotation and double cropping, furrow cultivation, use of nitrogen fixing plants such as legumes and *Sesbania spss*, and mulching.

2. Strengthening Commodity Chains

(a) Local Development Fund

Establishment of Local Development Fund for purposes of provision of financing for, and carrying out of, Subprojects as follows:

- (i) Strengthening farmer organizations and cooperatives: Carrying out of capacity-building Subprojects in relation to:
 - (A) farmer organizations and cooperatives working in marshlands targeted under Part 1 (a) of Project and Rural Sector Support Project, including provision of training and technical advisory services with regard to organizational functioning, consolidation of farmer-

based extension initiatives, and establishment of national commodity associations for purposes of promotion of marketing activities; and

- (B) selected commercially oriented cooperatives, including with regard to business planning and enterprise management, with focus on priority commodity chains targeted under Project and Rural Sector Support Project, such as maize, potatoes, and rice.
- (ii) Improving production technologies: Carrying out of capacity-building Subprojects in relation to:
- (A) provision of farming inputs for demonstration plots under farmer-based extension initiatives, such as seed, fertilizer, and materials for integrated pest management, to farmer organizations and service providers;
 - (B) promotion of soil fertility assessments and actions, including carrying out of basic soil testing, provision of training to farmers in use of manure and crop rotation practices, facilitation of farmer access to fertilizer, such as through provision of start-up capital for establishment of fertilizer distribution outlets in selected cooperatives, and establishment of linkages with Recipient agencies involved in fertilizer procurement and distribution for such facilitation;
 - (C) promotion of use of improved seed and planting materials, including establishment of certified seed producers; and
 - (D) promotion of integrated pest management practices in irrigated marshlands and surrounding hillsides targeted under Part 1 of Project, including production and distribution of integrated pest management instructional materials developed under Rural Sector Support Project, training of lead farmers in integrated pest management practices, and establishment of pest monitoring programs.
- (iii) Rural investments for economic infrastructure

Carrying of productive rural investment Subprojects in relation to public infrastructure goods and services, such as community grain drying and storage facilities and rural roads.

(b) Knowledge Generation and Dissemination

Carrying out of limited knowledge generation and dissemination Subprojects, including:

- (i) diagnostic studies of commodity chains;
- (ii) market surveys for purposes of identification of potentially more lucrative outlets for farmer organizations and cooperatives and establishment of linkages between said organizations and cooperatives and potential buyers; and
- (iii) applied research in relation to emerging primary production (such as poor performance of certain crop varieties, emerging pest and disease problems, revealed soil nutrient imbalances) and processing and marketing (such as inefficient harvesting, storage, processing, and packaging technologies, lack of information regarding marketing opportunities) issues faced by Project beneficiaries.

3. Project Support and Coordination

Project support, coordination, management, and monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient's ministry at the time responsible for agriculture shall be responsible for Project coordination and management in accordance with the following institutional arrangements.

Program Advisory Committee

2. The Recipient shall maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture and headed by the Secretary General of said ministry, the Program Advisory Committee, comprising, *inter alia*, representatives from said ministry, its ministries at the time responsible for finance, local government, lands, infrastructure, and trade, respectively, the National Women's Council, farmer organizations, agribusiness industry associations, and the national Project coordinator serving as its secretary, and with an institutional framework, functions, and resources satisfactory to the Association.
3. The Program Advisory Committee shall be responsible for provision of strategic orientation and guidance to the Project.

Project Support and Coordination Unit

4. The Recipient shall establish, no later than one (1) month after the Effective Date, and thereafter maintain, throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, the Project Support and Coordination Unit, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association, including the National Project Coordinator who shall head said Unit, the Head of Administration, the Head of Finance, the Head of Procurement, the Head of Monitoring and Evaluation, and the Head of Technical Departments.
5. The Project Support and Coordination Unit shall be responsible for day-to-day Project coordination, planning, and implementation, monitoring of the work

plans and budgets of service providers used under the Project, establishment and operation of a decentralized monitoring and evaluation system, and financial and administrative management under the Project.

Provincial Project Offices

6. The Recipient shall establish, no later than one (1) month after the Effective Date, and thereafter maintain throughout Project implementation, under the supervisory authority of the Recipient's ministry at the time responsible for agriculture, Provincial Project Offices, with an institutional framework, functions, and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association, including regional Project coordinators who shall head said Offices, procurement specialists, accountants, and monitoring and evaluation specialists.
7. The Provincial Project Offices shall be responsible for Province-level oversight and monitoring of Project implementation, Project representation, Project administrative and financial management, and collection and reporting of Project monitoring and evaluation data.

Districts

8. Except as the Association shall otherwise agree, the Recipient shall maintain, throughout Project implementation, in Districts targeted under the Project, subject matter specialists such as rural engineers, community development and gender specialists, and agribusiness specialists.
9. Said specialists shall be responsible for provision of technical support to Project beneficiaries in relation to Parts 1 and 2 of the Project.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Subprojects

1. General

- (a) The respective District Development Committee, and, subsequently, the Project Support and Coordination Unit, shall, on behalf of the Recipient, appraise, approve, and monitor and evaluate Subprojects in accordance with the provisions of this Part C and the Project Implementation Manual.
- (b) The Project Support and Coordination Unit shall, no later than one (1) month after the Effective Date, establish a technical committee, comprising at least representatives of the Project Support and Coordination Unit, the Recipient's ministry at the time responsible for agriculture, relevant Recipient agencies, academia, and independent specialists and with an institutional framework, functions, and resources satisfactory to the Association, for purposes of said appraisal and approval on behalf of the Project Support and Coordination Unit.

2. Subproject Grant Eligibility and Subproject Implementation Guidelines and Procedures

No proposed Subproject shall be eligible for financing under the Project unless the respective District Development Committee, and, subsequently, said technical committee of the Project Support and Coordination Unit, have determined, on the basis of an appraisal conducted in accordance with this Part C and the Project Implementation Manual, that the proposed Subproject satisfies the eligibility criteria specified below and in further detail in the Project Implementation Manual, which shall include the following:

- (a) the proposed Subproject has been initiated by a Community-Based Organization or District which meets the eligibility criteria specified in the Project Implementation Manual;
- (b) the proposed Subproject relates to activities set forth in Section 2 of Schedule 1 to this Agreement and described in further detail in the Project Implementation Manual;
- (c) the proposed Subproject satisfies none of the non-eligibility criteria specified in the Project Implementation Manual;

- (d) the proposed Subproject complies with the: (i) Environmental Assessment, including the Environmental Management Plans; (ii) Pest Management Plan; (iii) Environmental and Social Management Framework; (iv) Resettlement Policy Framework; and (v) any Resettlement Action Plan;
- (e) the proposed Subproject is consistent with the respective District Development Plan;
- (f) the proposed Subproject is consistent with the relevant agricultural and environmental standards and national rural sector policies;
- (g) the respective Beneficiary is contributing part of the projected Subproject costs in cash or in kind in accordance with the provisions of the Project Implementation Manual; and
- (h) the Beneficiary has put in place all necessary arrangements, including financial and human resources, for management and maintenance of the proposed Subproject.

3. Terms and Conditions of Subproject Grant Agreements

- (a) A Subproject shall be carried out pursuant to a Subproject Grant Agreement, to be concluded between the Project Support and Coordination Unit on behalf of the Recipient and the respective Beneficiary, under terms and conditions, satisfactory to the Association, described in further detail in the Project Implementation Manual, which shall include the following:
 - (i) a description of the Subproject, its budget, and applicable performance indicators;
 - (ii) the provision of the Subproject Grant on a grant basis;
 - (iii) the obligation of the Beneficiary to contribute part of the projected Subproject costs in cash or in kind in accordance with the provisions of the Project Implementation Manual;
 - (iv) the obligation of the Beneficiary to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, environmental, financial, and administrative

practices; (B) ensure that the resources required for the Subproject are provided promptly as needed; (C) maintain adequate records to reflect, in accordance with sound accounting practices, the resources, operations, and expenditures relating to the Subproject; and (D) at the request of the Association or the Recipient, have such records audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records as so audited to the Recipient and the Association;

- (v) the obligation of the Beneficiary to carry out the Subproject in accordance with the provisions of the Anti-Corruption Guidelines;
 - (vi) the requirement that the goods, works, and consultants' services to be financed from the proceeds of the Subproject Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Subproject; and
 - (vii) the right of the Project Support and Coordination Unit, on behalf of the Recipient, and of the Recipient in its own right, to:
 - (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof, and any relevant records and documents; (B) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of Subprojects; and (C) suspend or terminate the right of any Beneficiary to use the proceeds of the Subproject Grant upon failure by the Beneficiary to perform any of its obligations under the Subproject Grant Agreement.
- (b) the Project Support and Coordination Unit or the Recipient, as the case may be, shall exercise its rights under the Subproject Grant Agreement in such manner as to protect its interests and the interests of the Association and to achieve the Project objective, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any substantive provision of the aforementioned.

D. Manual

The Recipient shall: (i) carry out the Project in accordance with the Project Implementation Manual; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

E. Safeguards

1. The Recipient shall ensure that the Project, including any Subprojects, is implemented in accordance with the provisions of the: (i) Environmental Assessment, including the Environmental Management Plans; (ii) Environmental and Social Management Framework; (iii) Pest Management Plan; (iv) Resettlement Policy Framework; and (v) any Resettlement Action Plans, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. The Project Support and Coordination Unit, in consultation with the Rwanda Environmental Management Authority, shall be responsible for implementation of said Assessment, Frameworks, and Plans.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

No.	Indicator
1.	Increase in rice production in marshlands rehabilitated or developed under the Project
2.	Proportion of farmers in marshlands rehabilitated or developed under the Project, or the Rural Sector Support Project, having adopted sustainable marshland or hillside intensification technologies
3.	Proportion of cooperatives with business plans targeted under the Project having increased their sales revenues by a minimum percentage

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultants' Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$500,000 or more; (b) the first two (2) contracts for goods estimated to cost less than the equivalent of \$500,000 each; (c) each contract for works estimated to cost the equivalent of \$5,000,000 or more; (d) the first two (2) contracts for works estimated to cost less than the equivalent of \$5,000,000 each; (e) the first two (2) contracts for goods or works estimated to cost less than the equivalent of \$50,000; (f) each contract for goods or works procured on the basis of Direct Contracting; (g) each contract for consultants' services provided by a firm estimated to cost more than the equivalent of \$200,000; (h) the first two (2) contracts for consultants' services estimated to cost less than the equivalent of \$200,000 each; (i) each contract for consultants' services provided by an individual estimated to cost more than the equivalent of \$50,000; (j) each contract for consultants' services procured on the basis of Single Source Selection; and (k) each contract for Training in accordance with the annual work plans referred to in Section V.B of this Schedule. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works for Part 1 (a) (i) (A) of the Project	610,000	100
(2) Works for Part 1 (a) (i) (B), (C), (D), and (E) of the Project	1,090,000	100
(3) Works for Part 1 (a) (i) (F) of the Project, and goods, consultants’ services (including audits), Training, Subprojects, and Operating Costs for the Project	18,140,000	100
(4) Refund of Project Preparation Advance	350,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	1,110,000	
TOTAL AMOUNT	21,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments:
- (a) made prior to the date of this Agreement;

- (b) under Category (1), unless biodiversity and hydrological studies, as set out in the Environmental Assessment and in form and substance satisfactory to the Association, demonstrate that the relevant activities do not require or cause significant conversion or degradation of natural habitats, and, should said studies demonstrate that the relevant activities require or cause such conversion or degradation, appropriate mitigation measures have been agreed with the Association; or
- (c) under Category (2), unless a cumulative assessment, including biodiversity and hydrological studies and in form and substance satisfactory to the Association, has been carried out of the impact of the relevant activities on the entire catchment area, particularly the Kibaya-Cyunuzi confluence marshland and water outflow quantity and quality into the Kagera River.

2. The Closing Date is October 31, 2012.

Section V. Other Undertakings

A. External Auditors

The Recipient shall, no later than three (3) months after the Effective Date, appoint, in accordance with the provisions of Section III of this Schedule, external auditors, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the carrying out of the audit referred to in Section II.B.3 of this Schedule.

B. Annual Work Plans and Budgets

The Recipient shall furnish to the Association as soon as available, but in any case not later than one (1) month before the beginning of each fiscal year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date.

C. Semi-Annual Reviews

The Recipient shall review with the Association, no later than one (1) month after its transmittal to the Association, or such later date as the Association shall

request, the report referred to in Section II.A.1 (a) of this Schedule, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

D. Midterm Review

The Recipient shall:

- (a) carry out jointly with the Association, no later than 24 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of this Schedule. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) annual work plans and budgets; (iv) progress on procurement and disbursement; and (v) Project implementation arrangements; and make adjustments to the Project and reallocate funds to improve performance, if needed;
- (b) prepare and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, 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 the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review, jointly with the Association, 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 objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

E. Counterpart Funding

Except as the Recipient and the Association shall otherwise agree, the Recipient shall:

- (a) maintain, throughout Project implementation, the account referred to in Section 5.01 of this Agreement;
- (b) deposit into said account, no later than six (6) months after the Effective Date, and, thereafter, on a semi-annual basis throughout Project implementation, an amount equivalent to \$250,000 required to finance the Recipient's contribution for expenditures under the Project other than those financed from the proceeds of the Grant; and
- (c) ensure that funds deposited into said account in accordance with the provisions of paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Grant.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means a Community-Based Organization (as hereinafter defined) or District (as hereinafter defined) which meets the criteria specified in the Project Implementation Manual (as hereinafter defined) and to which or for whose benefit a Subproject Grant (as hereinafter defined) is made or proposed to be made for the carrying out of a Subproject (as hereinafter defined).
3. “Community-Based Organization” means a civic association such as a farmer organization or a cooperative established and operating pursuant to the laws of the Recipient.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “District” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 29/2005 of December 31, 2005, representing a designated area and population within the territory of the Recipient.
6. “District Development Plan” means the plan prepared by a District pursuant to the Recipient’s Law No. 08/2006 of February 24, 2006 and outlining its priority development needs for a given period of one (1) year.
7. “Environment and Social Management Framework” means the Recipient’s framework, dated January 28, 2008, agreed with the Association and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Subproject activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Framework.

8. “Environmental Assessment” means the Recipient’s assessment, dated January 28, 2008, agreed with the Association and setting out the potential adverse environmental and social impact of the Project and measures for the offsetting, reduction, or mitigation of such impact, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Assessment, including the Environmental Management Plans (as hereinafter defined).
9. “Environmental Management Plans” means the Recipient’s plans, dated January 28, 2008, part of the Environmental Assessment, agreed with the Association and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Subproject activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Plans.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “Local Development Fund” means the Recipient’s fund to be established under Part 2 of the Project.
12. “Operating Costs” means the incremental expenses incurred by the Recipient’s ministry at the time responsible for agriculture, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, on account of Project implementation, management, and monitoring and evaluation, including for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, advertising and communication expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.
13. “Pest Management Plan” means the Recipient’s plan, dated January 29, 2008, agreed with the Association and setting out the measures to be taken for the development and implementation of integrated pest management and safe handling of pesticides in the course of Project implementation, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Plan.

14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 25, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Program” means the program of actions, objectives, and policies designed to reform and improve the rural sector of the Recipient’s economy, and set forth or referred to in the letter dated January 26, 2001 from the Recipient to the Association.
17. “Program Advisory Committee” means the Recipient’s entity, established and operating pursuant to the Recipient’s letter no. 120/11.04 of February 7, 2001, charged with the provision of strategic orientation and guidance to the Program.
18. “Project Implementation Manual” means the Recipient’s manual, referred to in Section 5.01 (a) of this Agreement, agreed with the Association and setting out implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, as the same may be amended from time to time with the written concurrence of the Association, and such term includes any schedules or annexes to said Manual.
19. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 12, 2008 and on behalf of the Recipient on March 5, 2008.
20. “Project Support and Coordination Unit” means the Recipient’s entity referred to in Section I.A.4 of Schedule 2 to this Agreement and whose responsibilities under the Project are set out in Section I.A.5 of said Schedule.
21. “Province” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 43/2000 of December 29, 2000, representing a designated area and population within the territory of the Recipient.
22. “Provincial Project Office” means any of the Project entities referred to in Section I.A.6 of Schedule 2 to this Agreement and whose responsibilities under the Project are set out in Section I.A.7 of said Schedule.

23. “Resettlement Action Plan” means the Recipient’s plan, to be agreed with the Association and setting out the procedures, including related compensation measures, to be applied in the event of the physical or economic displacement of persons affected by activities to be implemented under a Subproject in accordance with the provisions of the Resettlement Policy Framework (as hereinafter defined), as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Plan.
24. “Resettlement Policy Framework” means the Recipient’s framework, dated January 27, 2008, agreed with the Association and setting out arrangements for the resettlement and compensation of persons affected by potential changes in land use associated with activities to be implemented under the Project, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said Framework.
25. “Rural Sector Support Project” means the Recipient’s project financed by the Association (Credit No. 3483 RW) whose objectives are to assist the Recipient in revitalizing its rural economy through: (i) the promotion of investments in the agricultural sector; (ii) the equipping of farmers and other private sector groups, and relevant Recipient institutions with basic institutional and technical capacities; (iii) the improvement and raising of productivity in the agricultural services delivery system; (iv) small-scale rural infrastructure development and maintenance; (v) the rehabilitation of marshland and hillside farming; (vi) the promotion of commercial and export agriculture; and (vii) the diversification of economic activities in the off-farm sector of the rural areas.
26. “Rwanda Environmental Management Authority” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for the environment, established and operating pursuant to the Recipient’s Law No. 16/2006 of April 3, 2006, and charged with environmental management.
27. “Rwandan Franc” means the currency of the Recipient.
28. “Subproject” means a specific activity carried out under Part 2 of the Project, financed or proposed to be financed through a Subproject Grant (as hereinafter defined).
29. “Subproject Grant” means a grant made or proposed to be made out of the proceeds of the Financing to finance a Subproject.

30. “Subproject Grant Agreement” means an agreement between the Recipient represented by the Project Support and Coordination Unit and a Beneficiary, setting forth the terms and conditions under which a Subproject Grant shall be made available to the Beneficiary.

31. “Training” means the training of persons involved in Project-supported activities, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.