

CONFORMED COPY

CREDIT NUMBER 3161 BUR

Development Credit Agreement

(Pilot Private Irrigation Development Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 8, 1999

CREDIT NUMBER 3161 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 8, 1999, between BURKINA FASO (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries.

(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 Participating Country 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."

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) "APIPAC" means Association des Professionnels de l'Irrigation Privée et des Activités Connexes, established pursuant to its statutes, dated August 22, 1997;

(b) "Beneficiary" means a farmer engaged in irrigation or an enterprise involved in the marketing, transportation or processing of irrigation products;

(c) "CFAF" means the currency of the Borrower;

(d) "Escrow Account" means the account to be opened pursuant to paragraph 6 (b) of Schedule 4 to this Agreement;

(e) "Execution Protocol" means the agreement to be entered into between the Borrower and APIPAC, referred to in Section 3.02 of this Agreement and paragraph 1 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes any attachments to the Execution Protocol;

(f) "Fiscal Year" means the period from January 1 to December 31;

(g) "Guarantee" means a guarantee issued, or to be issued, by the Borrower against risk of non-performance by a Beneficiary, to a Participating Lending Institution (as hereinafter defined) in respect of a loan made by such Participating Lending Institution to a Beneficiary;

(h) "Guarantee Facility" means the guarantee facility referred to in Part D of Schedule 2 to this Agreement and paragraph 6 of Schedule 4 to this Agreement;

(i) "Guarantee Facility Manual" means the manual referred to in paragraph 6 of Schedule 4 of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Guarantee Facility Manual;

(j) "MAGRI" means Ministère de l'Agriculture, the Borrower's ministry responsible for agriculture;

(k) "Midterm Review" means the midterm review referred to in paragraph 5 of Schedule 4 to this Agreement;

(l) "Participating Lending Institution" means a lending institution, satisfactory to the Association, which makes or proposes to make loans to a Beneficiary and for whose benefit the Guarantees are issued, or are to be issued, by the Borrower;

(m) "Procedures Manual" means the manual referred to in paragraph 1 of Schedule 4 to this Agreement and adopted pursuant to Section 5.01 (b) of this Agreement outlining the procurement, disbursement and other arrangements for the implementation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Procedures Manual;

(n) "Project Account" means the account referred to in Section 3.04 of this Agreement;

(o) "Project Account Deposit" means an amount in CFAF equivalent to \$5,000 referred to in Section 3.04 (b) of this Agreement and in paragraph 3 (b) of Schedule 1 to this Agreement;

(p) "Project Director" means the head of the Technical Project Unit (as hereinafter defined);

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower by letter dated July 29, 1996 between the Borrower and the Association;

(r) "TPU" means the Technical Project Unit, the project execution unit within APIPAC, to be established pursuant to Section 5.01 (d) of this Agreement and referred to in paragraph 4 (a) of Schedule 4 to this Agreement;

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

(t) "Steering Committee" means the Comité d'Orientation et de Suivi, an inter-ministerial committee comprising, inter alia, members of the Ministries of Agriculture, Environment and Water Resources, Economy and Finance, Commerce, Industry and Crafts, Territorial Administration and Labor, chaired by the Ministry of Agriculture, to be established pursuant to Section 5.01 (e) and referred to in paragraph 2 of Schedule 4 to this Agreement; and

(u) "UCOF" means l'Unité de Coordination des Opérations Financières, the financial coordination unit in the Borrower's Ministry of Agriculture, to be established pursuant to Section 5.01 (c) of this Agreement and referred to in paragraph 3 of Schedule 4 to 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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in CFAF a special deposit account in the name of UCOF 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 itself 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 December 31, 2003 or such later date as the Association shall establish at the request of the Borrower. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or 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 May 1 and November 1 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 semiannual installments payable on each May 1 and November 1, commencing May 1, 2009 and ending November 1, 2038. Each installment to and including the installment payable on November 1, 2018 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's 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 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 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (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, shall carry out Parts A, C, D and E of the Project through MAGRI and Part B of the Project through APIPAC with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and agricultural 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 Association 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) For the purposes of carrying out part B of the Project, the Borrower shall enter into the Execution Protocol with APIPAC, pursuant to which the Borrower shall: (i) entrust APIPAC with the execution of Part B of the Project; (ii) employ APIPAC in accordance with the provisions of Section II of Schedule 3 to this Agreement; (iii) cause APIPAC to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and agricultural practices; and (iv) take any action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable APIPAC to carry out Part B of the Project.

(b) The Borrower shall duly perform all its obligations under the Execution Protocol and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Part B of the Project. Except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Execution Protocol or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. Without limitation on the provisions of Section 3.01, the Borrower shall:

(a) open and maintain, until the completion of the Project, a Project Account on terms and conditions acceptable to the Association;

(b) deposit into the Project Account the Project Account Deposit referred to in paragraph 3 (b) of Schedule 1 to this Agreement;

(c) thereafter, following the deposit of the Project Account Deposit, deposit annually into the Project Account the amounts required for further implementation of the Project which shall not be financed from the proceeds of the Credit, as follows: (i) \$5,000 equivalent for the second Fiscal Year; and (ii) \$5,000 equivalent for the third Fiscal Year; and (d) ensure that the amounts deposited into the Project Account in accordance with paragraphs (a), (b) and (c) of this Section will be used exclusively to finance the Borrower's contribution to the expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.05. 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 the 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 sustainability of the Project; 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) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts 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 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, including 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; and

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

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Execution Protocol, in form and substance acceptable to the Association, shall have been executed.

(b) The Procedures Manual, in form and substance acceptable to the Association, shall have been adopted.

(c) UCOF, referred to in paragraph 3 of Schedule 4 to this Agreement, shall have been established and shall be operating with an accounting and financial management system acceptable to the Association.

(d) APIPAC has established the TPU in accordance with the provisions of paragraph 4 (a) of Schedule 4 to this Agreement.

(e) The Steering Committee, referred to in paragraph 2 of Schedule 4 to this

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) Goods, equipment and vehicles	180,000	100% of foreign expenditures and 85% of local expenditures
(2) Service contracts, training and studies	3,000,000	100%
(3) Incremental operating costs	100,000	90%
(4) Refunding of Project Preparation Advance	230,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	190,000	
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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "incremental operating costs" means the incremental expenses incurred by UCOF on account of Project implementation, financial management and monitoring, including office supplies, vehicle operation, travel and supervision costs, but excluding salaries of officials of the Borrower's civil service; and

(d) the term "service contracts" means each of the service agreements entered into, or to be entered into, between, inter alia, (i) the Borrower and APIPAC, pursuant to the terms of the Executing Protocol; and (ii) APIPAC and private sector and other providers of services pursuant to the terms of the Procedures Manual.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement; and (b) expenditures under Categories (1) and (3) unless the Project Account has been duly opened and the Project Account Deposit has been deposited therein.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) operating costs, training, contracts for consulting firms, goods, service contracts, vehicles and motorcycles, all under contracts not exceeding \$100,000 equivalent; and (ii) for

individual consultants under contracts not exceeding \$50,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to test and evaluate the development of an efficient and sustainable irrigation system and a system for the provision of demand-driven support services to induce growth of private irrigation and related activities.

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: Support to APIPAC

Strengthening the capacity of APIPAC to carry out Part B of the Project through the provision of technical advisory services, including the carrying out of an information campaign, training of its personnel and acquisition of vehicles and equipment.

Part B: Promotion of Techniques and Technologies through On-Farm and Off-Farm Support Services

1. Demonstrations of Small-Scale Irrigation Equipment and Techniques

Carrying out of testing, demonstration and dissemination of low-cost irrigation production techniques and farm management techniques, through the provision of technical advisory services, training and equipment.

2. Promotion of Markets for Irrigated Products, Inputs and Services

Development, testing and demonstration of innovative marketing and processing techniques relating to: (i) irrigated products; and (ii) agricultural inputs and services, through the provision of studies and technical advisory services.

3. Access to Financial Services

Facilitation of the access by Beneficiaries to financial services, including the preparation of credit requests to lending institutions, through the provision of technical advisory services.

4. Access to Land Tenure Security

Assistance to Beneficiaries on actions required to comply with the legal or customary procedures necessary in order to obtain land tenure security and other property rights, through the provision of technical advisory services.

5. Support for Grassroots Farmers' Associations

Strengthening of the capacity of grassroots farmers' associations to provide support to their members related to entering into agreements with: (i) marketing and processing enterprises; (ii) suppliers of agricultural inputs and services; and (iii) financial intermediaries, through the provision of training and technical advisory services.

Part C: Monitoring and Evaluation

1. Establishment of an independent and external monitoring evaluation system to monitor the performance of APIPAC and the implementation of the Project, and the design of a program to overcome any constraints encountered during the implementation of the Project, through the provision of technical advisory services and the acquisition of equipment.

2. The carrying out of a study on the environmental impact of private irrigation on aquifers and water quality and the design of proposals to overcome any negative environmental impact, through the provision of technical advisory services.

Part D: Guarantee Facility

Provision of technical advisory services in order to assist the Borrower in the establishment of the Guarantee Facility, including the Escrow Account, to test whether the provision of guarantees to lending institutions to provide against risks of non-performance by a Beneficiary would facilitate a Beneficiary's access to credit.

Part E: Support to UCOF

Strengthening the capacity of UCOF to carry out the financial management of the Project through the provision of advisory services, training of its personnel and acquisition of vehicles and equipment.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with (a) 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 and in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for 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 Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) 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 and revised in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services for training and studies under Parts A, C, D and E of the Project, estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for service contracts under Part B of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for studies under Parts A and C of the Project which are estimated to cost less than \$50,000 equivalent per contract and services under Part B of the Project may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for preparing the follow-up project under Part A of the Project 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 D: 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 for Part A estimated to cost the equivalent of \$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 the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. General

For the purposes of carrying out the Project, the Borrower shall: (i) carry out the Project in accordance with the procedures set out in the Execution Protocol and the Procedures Manual; and (ii) not amend or waive any provision thereof which, in the opinion of the Association, may materially and adversely affect the carrying out of the Project.

2. Responsibility of the Steering Committee

(a) The Borrower shall establish, under terms of reference satisfactory to the Association, and thereafter maintain, the Steering Committee.

(b) The Steering Committee shall be in charge of the overall supervision of the Project and shall be responsible, inter alia, for:

- (i) monitoring the proper enforcement of the Execution Protocol; and
- (ii) approving APIPAC's annual work program and budget.

3. Responsibility of UCOF

(a) The Borrower shall establish, under terms and reference satisfactory to the Association, and thereafter maintain, UCOF.

(b) UCOF shall employ competent staff in adequate numbers with qualifications and experience satisfactory to the Borrower and the Association. The personnel of UCOF shall be appointed by the Borrower's Ministry of Agriculture.

(c) UCOF shall be in charge of the overall financial supervision of the Project and shall be responsible, inter alia, for:

(i) preparing the meetings of the Steering Committee, including reports on the financial implementation of the Project;

(ii) monitoring the execution of APIPAC's annual work program and budget;

(iii) administering the Special Account, including remitting payments to APIPAC for all services rendered pursuant to the Execution Protocol and remitting payments to any consultants retained by APIPAC to execute Part B of the Project;

(iv) coordinating the purchase of goods necessary for the carrying out of the Project; and

(v) monitoring all reporting, accounting and audits related to the Project.

4. Responsibility of APIPAC

(a) APIPAC shall maintain, in a form and with functions and staffing satisfactory to the Borrower and the Association, the TPU. The members of the TPU (i) shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement; and (ii) will report to the Project Director. All positions within the TPU shall be maintained at least until the completion of the Project, and such positions shall be at all times filled by persons with qualifications, experience and terms of reference satisfactory to the Association.

(b) The TPU shall operate under the financial supervision of UCOF and shall be responsible, inter alia, for:

(i) executing Part B of the Project, including responsibility for the processing and proposing of Beneficiary requests for APIPAC support to the Board of Directors of APIPAC, entering into agreements with consultants who shall be employed in accordance with the provisions of Section II of Schedule 3 to this Agreement, recommending any modifications in the design and execution of Part B the Project, and relations with Beneficiaries, governmental agencies, the private sector, non-governmental organizations and any other stakeholders;

(ii) preparing semiannual reports, not later than March 31 and September 30, for review and comment by the Association, relating to the implementation progress under Part B of the Project, taking into account the input received from any non-governmental organizations and any other entities involved in the carrying out of the Project; and

(iii) preparing, by September 30 of each year, starting September 30, 1999, for the approval of the Steering Committee and the Association, its annual work program and budget, of such scope and in such detail as the Association shall reasonably request.

5. Midterm Review

(a) The Borrower shall, jointly with APIPAC and the Association, carry out, not later than December 31, 2000, a Midterm Review on the progress made in carrying out the Project. The Midterm Review shall, inter alia, assess:

(i) the progress made in carrying out the various components of the Project, including compliance with financial, audit and other covenants relating to the Project;

(ii) the progress made in carrying out the Guarantee Facility and the operation of the Escrow Account under Part D of the Project;

(iii) the progress of the implementation of the Project, in accordance with indicators satisfactory to the Association; and

(iv) any corrective measures that need to be taken including changes, if any, in the scope and content of the Project or the implementation arrangements relating thereto.

(b) The Borrower shall, at least three weeks prior to the Midterm Review, furnish to the Association a report describing the status of the items listed in (i), (ii), (iii) and (iv) above and in Project implementation generally.

(c) The Borrower shall, following such Midterm Review, undertake to act promptly and diligently in order to take any corrective action deemed necessary to

remedy any shortcoming noted in Project implementation or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

6. Guarantee Facility

(a) For the purposes of Part D of the Project, the Borrower shall, by June 30, 1999, prepare and transmit to the Association the Guarantee Facility Manual, acceptable to the Association, giving details of operational guidelines governing the Guarantee Facility, including (i) procedures relating to the Borrower's deposits of funds into the Escrow Account; (ii) eligibility criteria for the provision of Guarantees; (iii) procedures for submission and processing of Guarantee applications; (iv) criteria for the determination of applicable Guarantee fees and risk-sharing arrangements; (v) model forms of Guarantees; (vi) procedures for the processing of claims and for the resolution of claim-related disputes; and (vii) procedures relating to payments to the Participating Lending Institutions out of the Escrow Account.

(b) Promptly after the Borrower shall have received notification that the Association has approved the Guarantee Facility Manual, the Borrower shall (i) open and maintain an Escrow Account in the form of an interest-bearing account in a commercial bank, on such terms and conditions as shall be satisfactory to the Association, including appropriate protection against set-off, seizure or attachment; and (ii) deposit into the Escrow Account funds required to fund Guarantees issued or to be issued by the Borrower pursuant to Part D of the Project, as follows: (A) not less than \$250,000 equivalent for the first Fiscal Year; (B) not less than \$300,000 for the second Fiscal Year; and (C) not less than \$250,000 equivalent for the third Fiscal Year.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means 400 million CFAF 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 200 million CFAF 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 2 million U.S. Dollars.

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 Account;

(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 5.02 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 for the Special Account 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.

