

CREDIT NUMBER 4020 CD

Development Credit Agreement

(Africa Emergency Locust Project)

between

REPUBLIC OF CHAD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 3, 2005

CREDIT NUMBER 4020 CD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 3, 2005, between REPUBLIC OF CHAD (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated November 12, 2004, describing a program of actions designed to prevent, control and manage desert locust infestation within its territory, and to mitigate its economic, environmental, and social impact (the Program), and declaring the Borrower's commitment to the execution of such Program;

(B) 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;

(C) the Islamic Republic of Mauritania (Mauritania), the Republic of Niger (Niger), the Republic of Senegal (Senegal), the Republic of Mali (Mali), the Republic of The Gambia (The Gambia), Burkina Faso (collectively referred hereinafter as the "Participating Countries"), have also requested the Association to assist in the financing of programs and actions designed to prevent, control and manage desert locust infestation within their respective territories, and to mitigate its economic, environmental, and social impact, and the Association has agreed to provide such assistance;

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 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Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association 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 Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

- (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) “Authorized Pesticides List” means the list referred to in paragraph 9 of Schedule 4 to this Agreement;

(b) “Beneficiary” means a rural producer (agriculture and livestock), or a group of rural producers, affected by locust infestation (or a non-governmental organization acting on behalf thereof), and eligible to receive a Micro-Grant (as hereinafter defined) in accordance with eligibility criteria set forth in the Project Implementation Plan (as hereinafter defined);

(c) “CILSS” means *Comité Inter-Etat de Lutte contre la Désertification dans le Sahel*;

(d) “DLCCWR” means the Desert Locust Control Commission for the Western Region, established and operating within the framework of FAO;

(e) “Eligible Categories” means Categories (1) to (7) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(g) “EMPRES” means the Emergency Prevention System for Trans-boundary Animal and Plants Pests and Diseases, a program established by FAO;

(h) “Environmental and Social Management Plan” or “ESMP” means the plan to be adopted by the Borrower pursuant to paragraph 6 of Schedule 4 to this Agreement;

(i) “FAO” means the Food and Agriculture Organization of the United Nations;

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

(k) “Francs CFA” or « FCFA » means *Franc de la Coopération Financière en Afrique Centrale*, the currency of the Borrower;

(l) “Micro-Grant” means a grant to be made out of the proceeds of the Credit to a Beneficiary to finance activities under Part B.2 of the Project in accordance with the provisions of paragraph 11 of Schedule 4 of this Agreement and with the Project Implementation Plan;

(m) “Micro-Grant Agreement” means an agreement to be entered into between the Borrower and a Beneficiary for the provision of a Micro-Grant in accordance with the provision of paragraph 12 of Schedule 4 to this Agreement;

(n) “Micro-Project” means any activity under Part B.2 of the Project, in respect of which a Micro-Grant has been, or may be, provided;

(o) “Pest Management Plan” or “PMP” means the plan to be adopted by the Borrower pursuant to paragraph 9 of Schedule 4 to this Agreement;

(p) “Procurement Plan” means the Borrower’s procurement plan, dated November 10, 2004, covering the initial 18 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 18 month periods (or longer) of Project implementation;

(q) "Project Implementation Plan" and "PIP" mean the plan to be prepared by the Borrower for the implementation of the Project and referred to in paragraph 5 of Schedule 4 to this Agreement, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules and attachments to said PIP;

(r) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on September 22, 2004, and on behalf of the Borrower on September 27, 2004;

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

(t) "WFP" means the World Food Program of the United Nations.

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 six million one hundred thousand Special Drawing Rights (SDR 6,100,000).

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: (i) for amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made under a Micro-Grant Agreement to meet the reasonable costs of goods, works, and services required for a Micro-Project, in respect of which the withdrawal from the Credit Account is requested; and (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for carrying out the Project and to be financed out of the proceeds of the Credit.

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

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

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

(b) The commitment charge shall accrue: (i) from the date sixty 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2015, and ending December 15, 2044. Each installment to and including the installment payable on December 15, 2024, 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, educational, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services, and other resources, required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the 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) Except as the Association shall otherwise agree, procurement of the goods, works, and 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, 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 Association, and furnish such update to the Association, not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.04. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall:

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

(b) deposit into the Project Account an initial deposit in the amount of FCFA 100,000,000 (the Initial Deposit), and thereafter, at semiannual intervals, deposit into the Project Account such amounts as are estimated to be required for the ensuing six-month period and as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively for expenditures under the Project not otherwise financed from the proceeds of the Credit.

ARTICLE IV

Financial Covenants

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

(b) The Borrower 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 Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (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 Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 13 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, 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 Credit, 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 Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which will make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Borrower has recruited the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower has recruited an accountant with qualifications and experience acceptable to the Association, to strengthen the capacity of the Project Implementation Unit established under the Agricultural Services and Producer Organizations Project (Credit No. 3837 CD) to handle Project financial matters pursuant to paragraph 3 of Schedule 4 to this Agreement;

(c) the Borrower has established a financial management system for the implementation of the Project, acceptable to the Association; and

(d) the Borrower has adopted the Project Implementation Plan.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister in charge of planning, development and cooperation of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Planning, Development
and Cooperation
B.P. 286
N'Djamena
Republic of Chad

Telex:

5329 KD

Facsimile:

(235) 51 51 85

(235) 52 00 87

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(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.

REPUBLIC OF CHAD

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	170,000	100%
(2) Vehicles, Equipment and other Goods	1,215,000	100%
(3) Pesticides	170,000	100%
(4) Consultants' Services and audits	440,000	100%
(5) Training	270,000	100%
(6) Micro-Grants	670,000	100% of amounts disbursed
(7) Operating Costs	1,200,000	100%
(8) Refunding of Project Preparation Advance	1,340,000	Amounts due pursuant to Section 2.02 (b) of this Agreement
(9) Unallocated	625,000	
TOTAL	<u><u>6,100,000</u></u>	

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”; and

(c) the term “operating costs” means incremental recurrent expenditures incurred on account of the Project implementation including aircraft and vehicle rental for pest management, office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture, bank and services fees, travel and supervision, but excluding salaries of officials of the Borrower’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made under category (3): (i) unless the Borrower has furnished to the Association a Pest Management Plan in form and substance satisfactory to the Association; and (ii) for the purchase of pesticides not included in the Authorized Pesticides List; and (c) payments made under category (6), unless Micro-Grants have been made in accordance with the provisions set forth or referred to in the Project Implementation Plan and the provisions of paragraph 11 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) workshops and training; and (f) micro grants and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a

statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Francs CFA a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

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

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

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

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

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

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

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

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the

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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A

to

SCHEDULE 1

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

1. The term “Authorized Allocation” means an amount equivalent to Francs CFA 450,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Francs CFA 225,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000.

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all

outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

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

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

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the capacity of the Borrower to prepare and implement programs and actions designed to prevent, control and manage desert locust infestation within its territory and in the region, and to mitigate its economic, environmental, and social impact, including impact on agriculture production, livestock, and food supply.

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: Emergency Locust Management

Acquisition of pesticides, equipment, and other goods, provision of services, including technical advisory services, and aircraft and vehicle rental, and training to assist the Borrower in:

1. Carrying out emergency locust tracking, eradication and control operations.
2. Improving pesticides management to ensure environmentally safe: (a) import, transportation, packaging, storage, and usage of locust pesticides; and (b) repackaging, transportation and destruction of obsolete and unused pesticides.
3. Monitoring and assessing the impact of locust control pesticides on the environment, and on human and animal health.

Part B: Emergency Agriculture Investment

1. Carrying out of works, acquisition of seeds, fertilizers, agricultural tools, zoo-technique inputs and veterinary products, and other goods, and provision of technical advisory services to help restore the agriculture and livestock production in rural areas affected by locust infestation.
2. Provision of Micro-Grants to finance Micro-Projects designed to provide alternative sources of employment and income to rural producers and herders in rural areas affected by locust infestation.

Part C: National Capacity for Early Warning and Response

1. Strengthening the Borrower's early warning and response system designed to track and monitor locust infestation, and to effectively and timely respond to future outbreaks, through carrying out of works, acquisition of equipment and materials, and provision of technical advisory services and training.
2. Preparation of a locust management financing mechanism, at the regional and national levels, including an effective financing and a mechanism for managing natural risks in rural areas, to ensure that necessary resources are made available in a timely manner for the management of future locust infestation.
3. Carrying out of research programs on desert locust biological control and integrated pest management, including joint regional research programs.

Part D: Project Management and Coordination

Strengthening the capacity of the Borrower in the areas of Project management, coordination, administration, monitoring and evaluation, including financial and technical audits, environmental impact assessment, and participation in coordination meetings at the regional level, through provision of technical advisory services and training, and acquisition of equipment and materials.

* * *

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

SCHEDULE 3

Procurement

Section I. General

A. All goods, works, 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 Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

B. Other Procurement Procedures

1. Limited International Bidding. (a) Pesticides and other related products which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded on the basis of Limited International Bidding in accordance with the provisions of paragraphs 3.1 and 3.2 of the Procurement Guidelines; and (b) contracts for the purchase of pesticides shall include provisions, acceptable to the Association, that: (i) the supplier shall be required to take back the pesticides empty containers; and (ii) delivery of pesticides shall be phased to avoid the accumulation of obsolete pesticide stocks.

2. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract, and works estimated to cost less than \$300,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.
3. Shopping. Goods and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping in accordance with paragraphs 3.5 and 3.6 of the Guidelines.
4. Direct Contracting. Aircraft services for the spraying of pesticides, pesticides (estimated to cost less than US\$500,000 equivalent per contract), protection equipment, and vehicles may, with the Bank's prior approval, be procured from pre-agreed pre-qualified reputable suppliers under contracts awarded through direct contracting in accordance with the provision of paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines. For the procurement of pesticides, direct contracting would be subject to a predetermined price ceiling and the use of prequalified suppliers.
5. Procurement from UN Agencies. Pesticides may be procured directly from United Nations agencies (IAPSO, the Inter-Agency Procurement Services Agency, or FAO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.
6. Community Participation. Goods, works, and services required for Part B.2 of the Project may be procured on the basis of community participation in accordance with rules and procedures acceptable to the Association, as set forth in the PIP.

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 \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Audit services and services for assignments which the Association 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.
3. Selection Based on Consultants' Qualifications. (a) Services estimated to cost less than \$100,000 equivalent per contract; and (b) services involving highly specialized technologies and 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.
4. 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 Association.
5. Workshops and Training. Workshops and training shall be carried out on the basis of annual work programs which shall have been approved by the Association, and which shall identify: (a) the workshops or training envisaged; (b) the personnel to attend the workshop or to be trained; (c) the selection methods of institutions or individuals participating in the workshop or conducting the training; (d) the institutions which will facilitate the workshop or conduct the training, if already selected; (e) the duration of the proposed workshop or training; and (f) the cost estimate of the workshop or training.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract to be awarded on a direct contracting or sole-source basis; (b) each contract for the purchase of pesticides regardless of the amount; (c) each contract for goods estimated to cost the equivalent of \$250,000 or more; (d) each contract for works estimated to cost the equivalent of \$500,000 or more; (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (f) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Overall Oversight and Coordination

1. The Borrower shall establish a Project steering committee, with terms of reference and composition acceptable to the Association, which shall be responsible for the overall coordination, monitoring and oversight of the Project implementation.
2. The Borrower: (a) shall implement the Project in close coordination with the Participating Countries, FAO/EMPRES/DLCCWR, WFP, CILSS, and other international and regional organizations and programs, donors and non-governmental organizations; and (b) for this purpose, shall take all action necessary on its part to take part in periodic coordination meetings with the authorities of the Participating Countries.

Project Implementation, Administration, and Management

3. The Borrower shall establish a Project Implementation Unit, within its Ministry in charge of Agriculture to be responsible for the coordination, monitoring, and evaluation of the Project implementation, provided however, that financial and procurement matters shall be handled by the Project Implementation Unit established under the Agricultural Services and Producer Organizations Project (Credit No. 3837 CD).
4. The implementation of the Project shall be carried out on the basis of bi-annual work programs which shall have been approved by the Association, and which shall include: (a) an assessment of the feasibility and priority of the activities envisaged, based on Project performance indicators; and (b) such other administrative, financial, and organizational arrangements as shall be required for the implementation of the envisaged activities.
5. The Borrower shall prepare and furnish to the Association a PIP, in form and substance satisfactory to the Association, setting out detailed schedules, plans and administrative, financial and organizational arrangements for the implementation of the Project, including: (a) manuals setting out procurement, financial management and disbursement procedures and arrangements; and (b) detailed Project performance indicators, as referred to in paragraph 13 below.
6. Not later than June 30, 2005 the Borrower shall prepare and furnish to the Association an Environmental and Social Management Plan (ESMP), in form and substance satisfactory to the Association, outlining the environmental and social screening procedures to be followed during implementation of the Project, including an Environmental Impact Assessment identifying potential environmental and social risks, and adverse impacts of the Project along with proposed mitigation measures.

7. The Borrower shall carry out the Project in accordance with the provisions of the PIP, the ESMP and the PMP, and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

Pesticides

8. Work programs to be prepared pursuant to paragraph 4 above which involve the use of pesticides shall include: (a) detailed justifications for the envisaged use; (b) a description of the envisaged activities; (c) the identification of the users; (d) an assessment of associated risks and mitigation measures; and (e) such other arrangements as shall be required pursuant to the PMP to ensure the safe pesticide handling, use, transport, storage, and disposal.

9. The Borrower shall prepare and furnish to the Association, for its approval, a Pest Management Plan (PMP), in form and substance satisfactory to the Association, containing procedures and actions designed to minimize potential environmental risks and adverse impacts associated with pesticide handling, use, transport, storage, and disposal. The PMP shall include a list of pesticides authorized for procurement under the Project. Said list shall be updated from time to time by agreement between the Association and the Borrower to take into account new information and requirements that may emerge during the implementation of the Project.

10. The Borrower shall ensure that: (a) only pesticides which meet internationally accepted health and environmental standards, including standards established by FAO and the World Health Organization, will be used on the Borrower's territory; (b) persons handling pesticides will be provided with protective clothing and equipment, including health kits, and shall be adequately qualified and trained to handle pesticides; (c) adequate advance notice will be given to the local population in the areas to be sprayed with pesticides; (d) the labeling, packaging and storage of pesticide containers, and the disposal of pesticides and pesticide containers, will be carried out in accordance with the internationally accepted standards, including standards established and published by FAO; and (e) suitable pesticide effluent disposal mechanisms will be made available to prevent environmental pollution and pesticide leakage into groundwater, including leakage resulting from the rinsing of pesticide containers.

Eligibility Criteria for Micro-Grants

11. The Borrower shall provide Micro-Grants to finance activities under Part B.2 of the Project. Micro-Grants shall be provided in accordance with guidelines, procedures and eligibility criteria acceptable to the Association and set forth in the Project Implementation Plan, such provisions shall include, but not be limited to, the following:

- (a) Micro-Grants shall be provided for any of the activities referred to in

Part B.2 of the Project and shall not be provided for any of the activities mentioned in a negative list in the Project Implementation Plan;

(b) activities to be financed by Micro-Grants shall be initiated and implemented by a Beneficiary which could be any entity eligible to receive a Micro-Grant in accordance with the provisions set forth in the Project Implementation Plan; and

(c) activities to be financed by Micro-Grants shall be in compliance with: (i) applicable laws and regulations of the Borrower; and (ii) criteria and standards set forth in the Project Implementation Plan.

12. To provide Micro-Grants, the Borrower shall enter into a Micro-Grant Agreement with the Beneficiary under terms and conditions satisfactory to the Association, which shall include the following:

(a) a description of the approved activities, with its budget and its performance indicators;

(b) provisions requiring the financing to be made on a grant basis;

(c) the Beneficiary's obligation to: (i) carry out the activities with due diligence and efficiency, and in accordance with sound administrative, technical and financial standards, taking into account social and environmental implications, and in accordance with the provisions of the Project Implementation Plan; (ii) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the Project Implementation Plan, the operations, resources and expenditures in respect of the activity; and (iii) maintain adequate reporting in accordance with the standards specified in the Project Implementation Plan;

(d) the requirements that: (i) the goods, works, and services to be financed from the proceeds of the Micro-Grant shall be procured in accordance with the procedures set forth in the Project Implementation Plan; and (ii) such goods, works, and services shall be used exclusively in the carrying out of the activities under Part B.2 of the Project;

(e) the right of the Borrower to inspect, by itself, or jointly with the Beneficiary, and the Association, if the Association shall so request, the goods, works, sites, services and construction financed by the Micro-Grant, the operations thereof, and any relevant records and documents;

(f) the right of the Borrower to obtain all information as the Borrower, the Beneficiary, or the Association shall reasonably request regarding the administration, operations, and financial conditions of the activities financed by the Micro-Grant; and

(g) the right of the Borrower to suspend or terminate the Beneficiary's right to use the proceeds of the Micro-Grant upon failure by the Beneficiary to perform any of its obligations under the Micro-Grant Agreement.

Project Monitoring and Evaluation

13. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2006, 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) not later than October 31 of each year, or in the case of the mid-term review, not later than October 31, 2006, or such later dates as the Association shall request, undertake with the Association a review of the implementation of the Project on the basis of 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 Association's views on the matter.