

CONFORMED COPY

CREDIT NUMBER 2419 BU

(Agribusiness Promotion Project)

between

THE REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 1992

CREDIT NUMBER 2419 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 9, 1992, between THE REPUBLIC OF BURUNDI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter from the Borrower regarding the agribusiness sector policy dated June 19, 1992;

(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 Borrower intends to contract from the European Community (EC) a grant (the EC Grant) in an amount equivalent to \$1,233,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the EC Grant Agreement) to be entered into between the Borrower and EC; and

(D) the Borrower intends to contract from the Kingdom of Belgium (Belgium) a grant (the Belgian Grant) in an amount equivalent to \$100,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the Belgian Grant Agreement) to be entered into between the Borrower and Belgium; and

(E) the Borrower intends to contract from the Caisse Centrale de Cooperation Economique (CCCE) a Grant (the CCCE Grant) in an amount equivalent to \$100,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the CCCE Grant Agreement) to be entered into between the Borrower and CCCE;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Administrator" means the official recruited by MAE that is responsible for certain tasks as set out in Section 3.03 of the Agreement;

(b) "AGF" means l'Agence de Gestion du Fonds de Developpement de l'Agroindustrie;

(c) "CIP" means Comite Interministeriel de Privatisation, as referred to in Article 5 of the Privatization Law as defined under (j) below;

(d) "COGERCO" means Compagnie de Gerance du Coton;

(e) "CTE" means Commission Technique d'Evaluation, as referred to in Article 6 of the Privatization Law;

(f) "FBu" means Burundi Franc, the Borrower's currency;

(g) "FDA" means le Fonds de Developpement de l'Agroindustrie;

(h) "MAE" means le Ministcre de l'Agriculture et de l'Elevage;

(i) "OTB" means Office du The du Burundi;

(j) "Privatization Law" means the law no. 1/21 of 12 August 1991 regarding the privatization of public enterprises;

(k) "Privatization Order" means the ministerial order, No. 120/321 of October 4, 1991, issued by the Prime Minister and the Minister of Plan, fixing the modalities of competitive bidding for the privatization of public enterprises;

(l) "SCEP" means Service Charge des Entreprises Publiques, with the Prime Minister, as referred to in Article 5 of the Privatization Law;

(m) "SOSUMO" means Societe Sucricre du Mosso;

(n) "Special Account" means each of the accounts referred to in Section 2.02 (b) of this Agreement; and

(o) "SRDI" means Societe Regionale de Developpement de l'Imbo.

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 two million three hundred thousand Special Drawing Rights (SDR 2,300,000).

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 shall, for the purpose of Part A of the Project, open and maintain in dollars a special deposit account (Special Account A) in a bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account A shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) The Borrower shall, for the purpose of Part B of the Project, open and maintain in dollars a special deposit account (Special Account B) in a bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account B shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1999 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1 commencing February 1, 2003 and ending August 1, 2032. Each installment to and including the installment payable on August 1, 2012 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

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

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

ARTICLE III

Execution of the Project

Section 3.01. 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 financial, administrative and privatization practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services (including the selection of AGF) 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 3.03. Part A of the Project shall be implemented by the institutional framework set out in the Privatization Law, including the CIP, SCEP and CTEs. Part B of the Project shall be carried out by AGF. The Borrower shall appoint the Administrator who shall be recruited by MAE and shall be responsible for (a) the coordination of the preparatory work referred to in Section 3.04 (a) below; (b) the monitoring of the management of the FDA; and (c) the consolidation of the Project accounts. The Borrower shall maintain the Project implementation structure set out in this section throughout the implementation of the Project and shall ensure the availability of qualified and experienced staff in adequate numbers acceptable to the Association.

Section 3.04. In order to carry out Part A of the Project, the Borrower shall:

(a) No later than November 30, 1993, adopt a program for the privatization of OTB, COGERCO, SOSUMO and SRDI that is acceptable to the Association. Preparatory work to this effect shall be carried out by the relevant technical ministry supervising the

enterprise concerned under the coordination of the Administrator and in accordance with terms of references approved by CIP and the Association. This program shall give a detailed description of how the privatization shall be carried out and the steps to be taken in that respect. It shall distinguish between different forms of privatization, specify the procedures and principles applicable to each form and include a timetable with monitorable actions and explicit -minimum- targets as follows:

- (1) For OTB: tenders for the purchase of at least 10% of the capital of OTB must have been invited from bidders no later than November 30, 1994.
- (2) For COGERCO: tenders for the purchase of at least 10% of the capital of COGERCO must have been invited from bidders no later than August 31, 1994.
- (3) For SOSUMO: tenders for the purchase of at least 10% of the capital of SOSUMO must have been invited from bidders no later than April 30, 1993.
- (b) implement the program following its adoption without delay;
- (c) ensure that the program is prepared and implemented in full compliance with the Privatization Law and the Privatization Order;
- (d) in case of amendments of the Privatization Law or the Privatization Order give prior notification thereof to the Association; and
- (e) for each consultant whose terms of reference includes the transfer of skills and know-how, a local staff designated to work with that consultant will be appointed prior to the start of the consultant's assignment.

Section 3.05. In order to carry out Part B of the Project the Borrower shall set up and maintain a fund (the Fonds de Developpement de l'Agroindustrie, also referred to as FDA) in an account in FBU in a bank acceptable to the Association, on terms and conditions acceptable to the Association. The proceeds of the Credit disbursed under Part B of the Project shall be paid into this account. The account shall be administered by an agency selected by the Borrower and acceptable to the Association (the Agence de Gestion du Fonds de Developpement de l'Agroindustrie, also referred to as AGF). To that effect the Borrower shall enter into an agreement (the Fund Agreement) with AGF. The Fund Agreement shall be acceptable to the Association and shall, inter alia, include:

- (a) the terms and conditions on which AGF shall award local training grants and commercial services financing in accordance with Schedule 5 to this Agreement;
- (b) that decisions on the award of local training grants and commercial services financing shall be taken independently by the AGF in accordance with the Fund Agreement;
- (c) an obligation for AGF to introduce a mechanism that ensures the recovery of the costs of operating the FDA as of March 1, 1994;
- (d) the resources to be made available by the Borrower to AGF to facilitate the implementation of Part B of the Project; and
- (e) the requirement of AGF to keep separate records and accounts regarding the implementation of Part B of the Project and to have these records and accounts audited applying, mutatis mutandis, Section 4.01 of the Agreement.

Section 3.06. The Borrower shall give FDA and the beneficiaries thereof unrestricted access to the foreign exchange required for the implementation of Part B of the Project.

Section 3.07. The Borrower shall ensure the submission, by the Administrator, of quarterly reports on the implementation of the Project, and review with the Association by June 30 of each year progress made on the implementation of the Project.

Section 3.08. The Borrower and the Association shall carry out a mid-term review

of the Project not earlier than 15 and no later than 20 months following the Effective Date. The terms of reference of this review will be acceptable to the Association and shall include, inter alia, an assessment of (i) implementation of the privatization program, and (ii) the performance of and results achieved by the FDA.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall 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 statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Non-compliance with the Fund Agreement by either the Borrower or the AGF.

(b) The EC Grant Agreement, the Belgian Grant Agreement, or the CCCE Grant Agreement shall have failed to become effective three calendar months following the

Effective Date or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph: the right of the Borrower to withdraw the proceeds of the EC Grant, the Belgian Grant or the CCCE Grant, made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EC Grant Agreement, the Belgian Grant Agreement or the CCCE Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) receipt by the Association of a copy of the Presidential decree establishing the CET for SOSUMO in accordance with Article 6 of the Privatization Law; and

(b) appointment of the Administrator and accountant who will assist the Administrator with the consolidation of the Project accounts, both with experience and qualifications acceptable to the Association;

(c) completion of the reorganization of SCEP, including the appointment of a financial analyst, a management specialist and a legal adviser; and

(d) commencement of the recruitment procedure (i.e. issue of the financing request and terms of reference) by the supervising ministries at the instruction of CIP, for the consultants' services for the preparatory works for the privatization referred to in Section 3.04 (a) of the Agreement.

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

Representatives of the Borrower; Addresses

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

Section 7.02. The following addresses are specified for the purposes of Section

11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 1830
Bujumbura
Republic of Burundi

Telex:

5135 BDI MinFin

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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.

THE REPUBLIC OF BURUNDI

By /s/ Julien Kavakure

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ F. J. Aguirre Sacasa

Acting Regional Vice President
Africa

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
Part A of the Project		
(1) Vehicles and	20,000	100% of foreign

	Equipment		expenditures and 80% of local expenditures
(2)	Consultants' Services	360,000	100% of foreign expenditures and 80% of local expenditures
(3)	Training	640,000	100% of foreign expenditures and 80% of local expenditures
(4)	Operating Costs of the Administrator	70,000	100% of foreign expenditures and 80% of local expenditures
Part B.1 of the Project			
(5)	Grants	145,000	30%
(6)	Commercial Services	385,000	30%
(7)	Training	200,000	100% of foreign expenditures and 80% of local expenditures
(8)	Environmental Studies	80,000	100%
(9)	Operating costs	100,000*	
(10)	Unallocated	300,000	
	TOTAL	<u>2,300,000</u> =====	

* The following percentages apply as percentages to be financed for Category (9) (Operating Costs):

- (a) 100% for the 24 calendar months following the Effective Date;
- (b) 70% for the 24 calendar months following the period referred to in (a) above; and
- (c) 30% for the 12 calendar months following the period referred to in (b) above;

2. For the purposes of this Schedule:

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

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

(c) the term "Operating Costs" means incremental recurrent expenditure necessary for Project implementation, such as staff salaries, office rental and supplies, vehicle operation and maintenance, spare parts and travel allowances.

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) Category (3) prior to receipt by the Association of a training program acceptable to the Association; and

(c) Categories (5), (6), (7), (8) and (9) prior to receipt by the Association of evidence acceptable to it that:

(1) the Fund Agreement has been executed in accordance with Section 3.05 of the Agreement;

(2) AGF is fully operational.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase and diversify agricultural exports and induce greater efficiency in agricultural and livestock production, processing and marketing.

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: Privatization of Public Agro-Industries

1. Support to the privatization of OTB, COGERCO, SOSUMO, and SRDI, through the preparation and implementation of privatization plans, including the provision of technical advice on financial, technical and social evaluation of the companies involved, tender procedures and documentation, and legislative, legal and institutional issues.

2. Design and implementation of a comprehensive program of training and information to prepare both the staff of the public enterprises and the civil servants involved in the privatization, as well as the private sector interested in the privatization.

Part B: Assistance to Private Entrepreneurs

The establishment and operation of a Fonds de Developpement de l'Agroindustrie (also referred to as FDA) that will organize professional training and through which local training grants and commercial services financing will be made available to private entrepreneurs and their professional associations, on a cost sharing basis, to increase their knowledge of international commercial practices.

* * *

The Project is expected to be completed by September 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: Procurement Procedures

1. Vehicles, computer hardware and other equipment may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Office equipment and supplies as well as vehicle and computer spare parts

estimated to cost the equivalent of \$20,000 or less per contract, may up to an aggregate amount equivalent to \$200,000, be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), in accordance with procedures acceptable to the Association.

3. Items or groups of items estimated to cost the equivalent of \$2,000 or less per contract, may up to an aggregate amount equivalent to \$100,000, be procured through direct contracting.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract to cost the equivalent of \$20,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4), in respect of Special Account A, and Categories (5), (6), (7), (8) and (9) in respect of Special Account B, 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: (i) an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account A pursuant to paragraph 3 (a) of this Schedule; and (ii) an amount equivalent to \$100,000 to be withdrawn from the Credit Account and deposited into the Special Account B, pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence

furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

FDA

1. Eligible Recipients

Eligible for receipt of commercial services financing under Part B of the Project are private entrepreneurs and companies registered with the commercial register, that produce, process or trade agricultural or livestock products for export or import substitution purposes. Eligible for the receipt of local training grants under Part B of the Project are the registered professional associations of the abovementioned entrepreneurs and companies.

2. Grants and Financing

The local training grants and commercial services financing are aimed at motivating and assisting the beneficiaries to develop activities in the agribusiness sector, primarily in the areas of export and import substitution. The FDA will assist in the financing of local training and commercial services (including consultancy services, study trips and market research) that are in particular aimed at:

- (i) analysis of potential markets; or
- (ii) research and development for adaption of products to markets; or
- (iii) sales promotion.

FDA Contributions to professional associations for the organization of local training activities will be in the form of grants. FDA Contributions to individual private entrepreneurs and companies for commercial services will be made in the form of repayable financing.

3. Applications

Applications for grants for local training and commercial services financing must be accompanied by a detailed training program or business development plan describing, inter alia, the activities to be financed and the anticipated return on investment.

4. Cost Sharing

Eligible training and commercial services will be financed on a cost sharing basis only. The recipient will be required to contribute a personal contribution of 50% of the activities to be

financed. The remaining 50% will be financed by a grant or repayable financing from the FDA.

5. Maximum Amounts

The aggregate amount of local training grants made to any association shall not exceed the equivalent of \$50,000. The aggregate amount of commercial services financing made and not yet reimbursed to any recipient shall at no time exceed the equivalent of \$50,000. For the purpose hereof, companies, the majority ownership of which is held by the same owner and associations controlled by the same members, are considered to be a single recipient.

6. Repayment of Commercial Services Financing

Commercial services financing will be repaid over a maximum period of five years, including a one year grace period.

7. Review of Terms and Conditions

The terms and conditions of award for the grants and commercial services financing will be reviewed each year before December 31 between the Borrower and the Association. Every revision of the terms and conditions resulting from this review will have to be approved by the Borrower and the Association.

