

CONFORMED COPY

LOAN NUMBER 4011 MD

Loan Agreement

(First Agriculture Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 3, 1996

LOAN NUMBER 4011 MD

LOAN AGREEMENT

AGREEMENT, dated July 3, 1996, between REPUBLIC OF MOLDOVA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Acvaprojekt" means the Institute of Water Management, established pursuant to Council of Ministers' Decision No. 28, dated January 22, 1965 and registered with the State Register Office on September 10, 1992 under registration No. 10300708;

(b) "Grains Regulatory Laboratory" means the grains regulatory laboratory established by the Borrower pursuant to Government Decision No. 59, dated January 26, 1995 and registered with the State Register Office on August 25, 1995 under registration No. 10603216;

(c) "MAF" means the Borrower's Ministry of Agriculture and Food or any successor thereto;

(d) "NIVO" means the National Institute of Viticulture and Oenology established by the Borrower pursuant to Government Decision No. 383, dated October 9, 1990 and registered with the State Register Office on October 27, 1992 under registration No. 10201434;

(e) "NIVO Agreement" means the agreement entered into by NIVO with each Participating Vine Nursery as specified in paragraph 3 of Schedule 5 to this Agreement for the purposes of carrying out Part A.1(iii) of the Project;

(f) "NPO Tevit" means the Research Institute for Veterinary and Livestock established by the Borrower pursuant to Government Decision No. 108, dated March 30, 1995 and registered with the State Register Office on March 11, 1996 under registration No. 124015951;

(g) "Participating Vine Nurseries" means the vine nurseries selected by NIVO, in consultation with the Bank, to participate in Part A.1(iii) of the Project;

(h) "Pest Forecasting Laboratory" means the pest forecasting laboratory of the MAF re-established by the Borrower pursuant to a Government Decision in April 1995 and registered with the State Register Office on August 4, 1992 under registration No. 10500369;

(i) "PMC" means the Project Management Committee, established pursuant to Government Decision No. 70, dated March 4, 1996, and referred to in paragraph 2 of Schedule 5 to this Agreement;

(j) "Porumbeni" means the scientific-industrial association of the MAF, registered in the Borrower's State Register office on October 6, 1992 under registration No. 13800057;

(k) "PPC" means the inter-ministerial Project Planning Committee, established pursuant to Government Decision No. 69, dated March 4, 1996, and referred to in paragraph 1 of Schedule 5 to this Agreement;

(l) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters, dated March 12, 1996 and March 15, 1996, between the Borrower and the Bank;

(m) "RIFP" means the Research Institute for Horticultural Selection and Technologies, established by the Borrower pursuant to Government Decision No. 383, dated October 9, 1990 and registered with the State Register Office on November 18, 1992 under registration No. 10201651;

(n) "RIFP Agreement" means the agreement entered into by RIFP with each Selected Farm as specified in paragraph 3 of Schedule 5 to this Agreement for the purposes of carrying out Part A.2(i) of the Project;

(o) "Selected Farms" means the farms selected by the Borrower, in consultation with the Bank, to participate in Part A.2(i) of the Project;

(p) "Sanitation and Epidemiology Laboratory" means the epidemiology laboratory of the Borrower's Ministry of Health established by the Borrower pursuant to Government Decision No. 29, dated July 28, 1995;

(q) "Selectsia" means the Field Crops Research Institute, re-established by the Borrower pursuant to Government Decision No. 108,

dated March 30, 1995, amending the October 20, 1994 Decision of the Ministry of Agriculture, and registered with the State Register Office on June 26, 1993 under registration No. 12101640; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to ten million Dollars (\$10,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.03. The Closing Date shall be December 31, 2001, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period:
 - (A) one half of one percent ($1/2$ of 1%);
 - (B) minus (or

plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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 financial, administrative, agricultural, engineering 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 Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the principal staff to PMC and the procurement consultant, as set forth in paragraph 2 of Schedule 5 to this Agreement, have been appointed.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Finance
277005 Chisinau
Cosmonaut Street, 7
Republic of Moldova

Telex:

(3732)228610

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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 MOLDOVA

By /s/ Nicolae Tau

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil Kavalsky

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local expenditures
(a) Goods under Part A.1(iii)	2,000,000	

	of the Project		(ex-factory cost) and 80% of local expenditures for other items procured locally
(b)	Goods under Part A.2(i) of the Project	700,000	
(c)	Goods under other parts of the Project	4,450,000	
(2)	Consultants' Services and Training		100%
(a)	Consultants' Services	400,000	
(b)	Studies	200,000	
(c)	Training	500,000	
(3)	Incremental Operating Costs under Part D(iii) of the Project	250,000	100%
(4)	Refunding of Project Preparation Advance	500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5)	Unallocated	1,000,000	
	TOTAL	10,000,000	=====

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs" means operation and maintenance costs which would not have been incurred absent the Project and includes, inter alia, costs with respect to: (i) office equipment supplies and vehicles procured for the PPC and PMC; and (ii) fees to the consultants hired by the PMU and other administrative and operating expenses incurred for the purposes of Project management and implementation.

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 for expenditures under Category 1 (a) on account of expenditures for any Participating Vine Nursery until the Borrower shall have furnished to the Bank evidence acceptable to the Bank that NIVO Agreement with the said Participating Vine Nursery, satisfactory to the Bank, has been duly signed and authorized by the parties thereto and is legally binding upon the parties thereto in accordance with its terms; and

(c) payments made for expenditures under Category 1 (b) for any Selected Farm until the Borrower shall have furnished to the Bank evidence acceptable to the Bank that the RIFP Agreement with the said Selected Farm, satisfactory to the Bank, has been duly signed and authorized by the parties thereto and is legally binding upon the parties thereto in accordance with its terms.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$150,000 equivalent and for services under contracts costing less than (i) \$100,000 equivalent for consulting firms and (ii) \$50,000 for individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) upgrade and improve the effectiveness of the Borrower's agricultural research programs on priority export crops and products; (ii) provide institutional strengthening in key areas affecting the agricultural sector including the development of sector policy and the preparation of sector investments; and (iii) support the development of project management and implementation capacity of the Borrower for agricultural sector investments.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Agro-Technology Development and Transfer

1. Viticulture Improvement: Support to the existing research programs to improve wine production and processing through: (i) provision of planting material and equipment for ongoing research programs at NIVO; (ii) modernization of the NIVO experimental wine processing plant; (iii) rehabilitation of at least eight Participating Vine Nurseries; and (iv) provision of technical assistance to NIVO in the areas of improved plant protection, vinestock certification and rootstocks and vinestocks evaluation.

2. Horticulture Improvement: Support to the existing horticulture research program at RIFP through: (i) carrying out of pilot demonstrations of modern production technology including mechanization and irrigation on Selected Farms; (ii) provision of planting material and equipment, including irrigation, to RIFP nurseries; (iii) provision of technical assistance and laboratory equipment to RIFP in the area of horticulture research; (iv) preparation and publication of the horticulture encyclopedia; and (v) provision of an experimentation processing technology equipment to RIFP.

3. Vegetable Improvement: Support improvements in vegetable growing sector through provision to Porumbeni of: (i) equipment needed for research program on the modernization of seed potato production and imported seeds; and (ii) equipment for development of research programs in plasticulture.

4. Livestock Improvement: Support to the existing long-term genetic improvement program for livestock through provision to NPO Tevit of equipment and chemicals to upgrade the artificial insemination program.

5. Integrated Pest Management: Provision of equipment and technical assistance for selected entities (Selectsia, the Sanitation and Epidemiology Laboratory and Pest Forecasting Laboratory) in order to demonstrate, promote and support sustainable farming methods utilizing Integrated Pest Management.

Part B: Institutional Strengthening

1. Carrying out of a study to develop the future stages for agricultural research, extension and education.

2. Provision of training programs for qualifying managers and staff of agro-enterprises.

3. Provision of equipment needed to modernize and increase the capacity of the Grains Regulatory Laboratory.

Part C: Policy Development and Sector Investments Preparation

Provision of technical assistance and equipment to aid the Borrower in sector policy analysis and in preparation of investments in the agriculture sector and irrigation, including provision of: (i) technical assistance to PPC in preparing feasibility studies for future investments in the agriculture sector; (ii) equipment and training to Acvaprojekt; (iii) technical assistance in the area of land reform and farm privatization; and (iv) technical assistance to PPC to develop a participatory approach to project planning.

Part D: Project Management

Developing and strengthening project preparation and management capabilities of the Borrower through the provision of: (i) training for the staff of PMC, PPC, MAF and other agricultural sector institutions in areas that include project management, economic monitoring, accounting, project preparation, procurement and disbursement procedures; (ii) consultants' services for PMC and PPC during Project implementation; and (iii) support of the PMC and PPC during Project implementation.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
August 15, 2001	210,000
February 15, 2002	220,000
August 15, 2002	225,000
February 15, 2003	230,000
August 15, 2003	240,000
February 15, 2004	245,000
August 15, 2004	255,000
February 15, 2005	260,000
August 15, 2005	270,000
February 15, 2006	275,000
August 15, 2006	285,000
February 15, 2007	290,000
August 15, 2007	300,000
February 15, 2008	310,000
August 15, 2008	320,000
February 15, 2009	330,000
August 15, 2009	335,000
February 15, 2010	345,000
August 15, 2010	360,000
February 15, 2011	370,000
August 15, 2011	380,000
February 15, 2012	390,000
August 15, 2012	400,000
February 15, 2013	415,000
August 15, 2013	425,000
February 15, 2014	440,000
August 15, 2014	450,000
February 15, 2015	465,000
August 15, 2015	475,000
February 15, 2016	485,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Two-stage bidding procedure

The bidding procedure for wine processing equipment under Part A.1 (ii) of the Project and fruit processing equipment under Part A.2(v) of the Project may be carried out in two stages in accordance with the provisions of paragraph 2.6 of the Guidelines.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods up to an aggregate amount not to exceed \$3,500,000 equivalent, and oneology equipment, which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$750,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$65,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding

or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods procured in accordance with procedures set forth in Parts B.1, C.1 and C.4 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. During the execution of the Project, the Borrower shall maintain the PPC with functions, powers and composition agreed with the Bank, which shall include the responsibility for assessing: (i) the development and coordination of agricultural sector policy; (ii) determination of priority investment requirements of the agricultural sector; and (iii) development of a participatory approach to project planning.

2. For the purposes of carrying out the Project, the Borrower shall maintain until the completion of the Project, the Project Management Committee (PMC) with:

(a) functions and responsibilities agreed with the Bank, which shall include: (i) overseeing and coordinating procurement and disbursement actions under the Project; (ii) preparing and submitting to the Bank on a quarterly basis a progress report on the procurement activities under the Project; (iii) maintaining all Project accounts, including the Special Account; (iv) overseeing and coordinating the overall execution of the Project; and (v) monitoring and evaluation of the implementation of the carrying out of Parts A, B and C of the Project by the implementing entities referred to in Schedule 2 to this

Agreement.

(b) Director acceptable to the Bank, a Project Manager, an agricultural economist, an accountant and a procurement specialist as principal staff, and other staff in adequate numbers, including a procurement consultant, as necessary, whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

3. For the purposes of carrying out Parts A.1(iii) and A.2(i) of the Project, the Borrower shall:

- (a) (i) cause NIVO to extend to each Participating Vine Nursery, the proceeds of the Loan allocated from time to time to Category 1 (a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under the NIVO Agreement to be entered into between NIVO and each such Participating Vine Nursery, under terms and conditions satisfactory to the Bank; and
- (ii) cause RIFP to extend to each Selected Farm the proceeds of the Loan allocated from time to time to Category 1(b) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under the RIFP Agreement to be entered into between RIFP and each such Selected Farm, under terms and conditions satisfactory to the Bank;

(b) exercise its rights under each of the said Agreements in such manner as to protect the interests of the Bank and the Borrower and to achieve the purposes of the Project, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any of the said agreements or any respective provision thereof; and

(c) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate, to enable NIVO and each Participating Vine Nursery, RIFP and each Selected Farm to perform their respective obligations under their respective agreements and not take or permit to be taken any action which would prevent or interfere with such performance.

4. For the purposes of carrying out Part B.2 of the Project, the Borrower shall select qualifying managers and staff of agro-enterprises in accordance with criteria agreed with the Bank.

5. With respect to the study to be carried out under Part B.1 of the Project, the Borrower shall:

- (a) by October 31, 1996 commence the carrying out of the said study;
- (b) by October 31, 1997 complete the said study;
- (c) within ninety (90%) days of completion of the study, furnish to the Bank a copy of its findings and recommendations; and
- (d) afford the Bank a reasonable opportunity to comment on such findings and recommendations.

6. 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 Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about April 1, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 1998, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2 and 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan 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 an amount equivalent to \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$4,000,000.

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 Bank 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 Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank such documents and other evidence showing such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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