



LOAN NUMBER 3862-VE

Loan Agreement

(Agricultural Extension Project)

between

REPUBLIC OF VENEZUELA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 12, 1995

LOAN NUMBER 3862-VE

LOAN AGREEMENT

AGREEMENT, dated October 12, 199⁵, between REPUBLIC OF VENEZUELA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) 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;

WHEREAS (B) the Project will be carried out by Fundación para la Capacitación e Investigación Aplicada a la Reforma Agraria (CIARA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CIARA the proceeds of the loan as provided in this Agreement;

WHEREAS the Borrower hereby represents to the Bank that the execution of this Agreement has been duly authorized by the Borrower's Law "Ley que Autoriza al Ejecutivo Nacional para la Contratación y Ejecución de Operaciones de Crédito Público durante el Ejercicio Fiscal" published in the Borrower's Official Gazette Issue No. 4831 dated December 29, 1994;

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 Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) In Section 6.02, subparagraph (k) is relettered as sub-paragraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "ACE" means an asociación civil de extensión, civil association for extension, a legal entity to be established within the jurisdiction of a Municipality with the organizational structure, responsibilities and functions described in the Operational Manual;

(b) "ACE Agreement" means any of the agreements, satisfactory to the Bank, to be entered into between CIARA, the Participating Municipality and the respective ACE pursuant to paragraph 5 of Part 1 of Schedule 1 to the Project Agreement and "ACE Agreements" means all of such agreements;

(c) "Central Bank" means the Borrower's Banco Central;

(d) "Charter" means the Borrower's Decreto No. 2803 dated February 4, 1993 and published in the Borrower's Official Gazette No. 35.199 dated April 28, 1993 as amended from time to time;

(e) "CIARA" means the Borrower's Fundación para la Capacitación e Investigación Aplicada a la Reforma Agraria, Foundation for Training and Applied Research for Agrarian Reform, established by the Borrower's Decreto 562 dated June 14, 1964, as amended by the Borrower's Decreto No. 2803 dated February 4, 1993 and published in the Borrower's Official Gazette No. 35.199 dated April 28, 1993;

(f) "Extension Agent" means an entity, including universities and non-governmental organizations, which meets the criteria in the Operational Manual to be eligible to provide extension services under the Project;

(g) "Monitoring Indicators" means the indicators, for purposes of measuring progress in the implementation of the Project included in the letter from CIARA to the Bank of even date herewith;

(h) "Municipality" means each of the Municipios, political autonomous divisions established in the Constitution of Venezuela;

(i) "Municipal Participation Agreement" means any of the agreements to be entered into between CIARA, a Participating State and a Municipality pursuant to Section 2.01 (c) (ii) of the Project Agreement and "Municipal Participation Agreements" means all of such agreements;

(j) "Operational Manual" means the operational manual, satisfactory to the Bank, to be approved by CIARA pursuant to Section 6.01 (c) of this Agreement, setting forth the rules and procedures for the implementation of the Project, and the eligibility criteria for Extension Agents, as the same may be amended from time to time by agreement between CIARA and the Bank;

(k) "Participating ACE" means any ACE which has entered into an ACE Agreement and "Participating ACEs" means all of such ACEs;

(l) "Participating Entities" means the Participating States, the Participating Municipalities and the Participating ACEs; and "Participating Entity" means any of such entities;

(m) "Participating Municipality" is any Municipality which has entered into a Municipal Participation Agreement;

(n) "Participating State" is any State which has entered into a State Participation Agreement;

(o) "Participation Agreements" means the State Participation Agreements, the Municipal Participation Agreements and the ACE Agreements and "Participation Agreement" means any of such agreements;

(p) "PCU" means the unit, to be established by CIARA pursuant to Section 6.01 (d) of this Agreement, for purposes of coordinating and supervising the implementation of the Project;

(q) "Project Agreement" means the agreement between the Bank and CIARA of even date herewith, as the same may be amended from time to time, and such terms includes all schedules and agreements supplemental to the Project Agreement;

(r) "Small Farmer" means a person, predominately engaged in agricultural activities, and which is identified by a Participating Municipality to be a beneficiary of extension activities under the Project based on the methodology and procedures described in the Operational Manual;

(s) "State" means each of the estados, political autonomous division established in the Constitution of Venezuela, and the Federal District (Distrito Federal) of the Borrower;

(t) "State Participation Agreement" means any of the agreements to be entered into between CIARA and a State pursuant to Section 2.01 (c) (i) of the Project Agreement and "State Participation Agreements" means all of such agreements;

(u) "State Unit" means each of the units, satisfactory to the Bank, to be established by a Participating State for purposes of coordinating the Project activities in the respective Participating State; and

(v) "Subject Matter Specialist" mean an individual with technical expertise in subject matters relevant to the provision of extension services as described in the Operational Manual;

(w) "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, various currencies that shall have an aggregate value equivalent to the amount of thirty nine million dollars (\$39,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 special deposit account in the Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 of this Agreement.

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 per cent ($3/4$ 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect

of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 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 and Other Matters

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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause CIARA to perform in accordance with the provisions of the Project Agreement all the obligations of CIARA therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CIARA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation to the provisions in paragraph (a) above, the Borrower shall make the proceeds of the Loan available to CIARA, on a timely basis, as budgetary allocations.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out, or caused to be carried out, by CIARA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation to the provisions in Section 3.01 of this Agreement, the Borrower shall furnish to the Bank, not later than May 31 of each year of the execution of the Project, evidence, satisfactory to the Bank, showing that the respective final annual budget submitted to the Borrower's Congress includes adequate resources to carry out the Project in the upcoming year in accordance with the respective annual investment program approved by the Bank pursuant to Section 2.06 (b) of the Project Agreement.

Section 3.05. The Borrower shall, and shall cause CIARA to, ensure that the utilization of pesticides, and the provision of technical assistance related to pesticides, is made in accordance with the standards, procedures and guidelines established by the Food and Agriculture Organization and the World Health Organization in force at the date of the Loan Agreement.

Section 3.06. The Borrower shall ensure, at all times, that CIARA is the sole public entity at the national level in charge of agricultural extension services and their financial support.

ARTICLE IV

Financial Covenants

(a) 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) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained, 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 or payment out of the Special Account was made; and

- (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section, 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 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, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) CIARA shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that CIARA will be able to perform its obligations under the Project Agreement.
- (c) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CIARA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CIARA or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) 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 Bank to the Borrower; and

(b) the events specified in paragraphs (c) and (d) 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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) CIARA has entered into State Participation Agreements with, at least, two States and such States have established, in form and substance satisfactory to the Bank, the respective State Units;

(b) Municipal Participation Agreements have been executed with, at least, five Municipalities, within the jurisdiction of any of the two States which have entered into State Participation Agreements pursuant to paragraph (a) above, and an Extension Agent has been retained, under terms of reference satisfactory to the Bank, to provide extension services in each of such Municipalities;

(c) CIARA has formally approved the Operational Manual;

(d) CIARA has established the PCU with staffing, functions and structure satisfactory to the Bank; and

(e) CIARA has carried out, and submitted to the Bank, studies under Part D.4 of the Project in respect of five States, including the two States which have entered into State Participation Agreements pursuant to paragraph (a) above, and the Municipalities in each of such five States.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Condition, to be included in the opinion or opinions to be furnished to the Bank;

(a) that each of the agreements referred to in Section 6.01 (a) and (b) of this Agreement have been duly authorized or ratified by the respective parties thereto, and are legally binding upon said parties in accordance with their respective terms; and

(b) That the Project Agreement has been duly authorized or ratified by CIARA, and is legally binding upon CIARA in accordance with its terms.

Section 6.03. The date *January 10, 1996* 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 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:

Ministerio de Hacienda
Dirección General
Sectorial de Finanzas Públicas
Edificio Norte, Piso 5
Centro Simón Bolívar
Caracas 1010, Venezuela

Telex:

24215 HDACP

For the Bank:

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

Cable address:

INTBAFRAD
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.

REPUBLIC OF VENEZUELA

151 Luis Raul Mateo Azocar

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

151 Shahid Javed Burki

By

Regional Vice President
Latin America and the Caribbean

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	100,000	50%
(2) Goods	1,800,000	100% of foreign expenditures and 45% of local expenditures
(3) Technical assistance and studies	5,000,000	100%
(4) Consultants' services including the services of the Extension Agents	13,200,000	46%
(5) Training	1,200,000	50%
(6) Grants under Part D.7 of the Project	500,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) Incremental Recurrent costs	17,200,000	70% until with- drawals under this category shall have reached an aggregate amount of \$5,000,000; thereafter 50% until withdrawals under this Category shall have reached an aggregate amount of \$11,000,000 and thereafter 30%
TOTAL	<u><u>39,000,000</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;

(c) the term "Incremental Recurrent Costs" means salaries to be paid to the PCU staff and the State Units, travel expenditures of staff of CIARA and the State Units in connection with the supervision of the Project, office supplies for the PCU and State Units, promotional and technical materials issued by CIARA in connection with the Project, maintenance expenditures of equipment acquired under the Project, telephone expenditures of State Units, transportation costs of the State Units including fuel, maintenance and depreciation of vehicles, consumables for field demonstration activities (vaccines, and seeds), training materials and any other incremental recurrent costs which may be agreed between CIARA and the Bank; and

(d) the term "Grants" means the grants to be made by CIARA to an eligible individual or entity under Part D.7 of the Project under the criteria and procedures set forth in the Operational Manual.

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, except that withdrawals, in an aggregate amount not to exceed \$3,900,000, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after *October 12, 1994*.

(b) payments made for expenditures under Part A.2 of the Project unless: (i) the respective State has entered into the respective State Participation Agreement; (ii) the respective State has entered into, at least, one Municipal Participation Agreement; and (iii) the respective State has established, in form and substance satisfactory to the Bank, the State Unit;

(c) payments made for expenditures under Parts B and C.1 of the Project unless: (i) the respective State and Municipality have entered into the respective State Participation Agreement and Municipal Participation Agreement; (ii) the respective State has established, in form and substance satisfactory to the Bank, the State Unit; and (iii)

no other agricultural extension services are being provided in the jurisdiction of the respective Participating Municipality except those agricultural extension services which, in the opinion of the Bank, are complementary to those carried out under the Project; and

(d) payment for expenditures under the Project unless the respective expenditures are included in an annual investment program submitted to the Bank pursuant to Section 2.06 (b) of the Project Agreement and approved by the Bank;

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for civil works not exceeding \$250,000 equivalent; (b) contracts for informatic equipment not exceeding \$50,000 equivalent; (c) contracts for goods, other than informatic equipment, not exceeding \$150,000 equivalent; and (c) contracts for consultants' services not exceeding \$25,000 equivalent, in respect of individuals, and \$50,000 equivalent in respect of consulting firms; and (e) categories (5), (6) and (7) of the table in this Schedule, 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: (a) to assist Small Farmers to become aware of, and to adopt, improved technology to enhance their productive efficiency, their income and their welfare and to improve the environmental sustainability of their farming operations; and (b) to assist the Borrower in establishing and operating a new decentralized extension system.

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: Institutional Development

Institutional development at the national and state levels to coordinate and administer a new decentralized extension system including:

1. At the national level: (a) the establishment and operation of a new organizational structure of CIARA; (b) provision of services by Subject-Matter Specialists to CIARA in: (i) specialized technical areas such as crop protection, irrigation and fertilization, farm management, farm machinery, methodology of field trials and surveys and environmental sustainability of agricultural techniques; and (ii) extension methodology including monitoring and evaluation, institutional development for participatory farmers groups, programming and planning of national activities and communications and publications; and (c) short term consultancies for purposes of complementing the services in paragraph (b) above as determined between CIARA and the Bank.
2. At the state level, the establishment and operation of the State Units.

Part B: Extension Services

Provision of extension services, by Extension Agents, to Small Farmers in Participating Municipalities including farm visits, demonstration plots and field trials, applied courses and field days.

Part C: Training

1. A training program consisting of: (1) an induction training program, for CIARA staff, State Units staff, Extension Agents, board members of ACEs and selected Small Farmers, on administrative, technical, methodological, conceptual, sociocultural and legal

aspects of the extension system; (2) an in-service program, for CIARA staff, State Units staff, Extension Agents, board members of ACEs and selected Small Farmers, to provide intensive training for extensionists in specific technical subjects related to the agricultural production systems of States and Municipalities, extension methodology, environmental impact of agricultural activities and conservation methods, participative methods in programming and planning and monitoring and evaluation; and (3) a continuing education program, for CIARA staff, State Units staff, and board members of ACEs to increase the knowledge and skills of extension personnel in agricultural science and public institutional management topics and other topics relevant to their responsibilities in the extension system.

2. (a) Construction of training facilities at the CIARA for the above induction training program; (b) renovation of CIARA's facilities including its national agricultural extension library; and (c) improvement of the services of the above library through the updating and maintaining of its collection of books and materials, acquisition and utilization of new furniture and computer and filing equipment to upgrade its capacity in areas of information storage, processing and retrieval and the installation of a new air conditioning/environmental control system.

Part D: Technical Assistance and Studies

1. (a) Development and utilization of a methodology for the systematic collection of data on the farming population of each Participating Municipality by characteristic categories agreed between CIARA and the Bank; (b) development of a baseline database from the data collected by Extension Agents in the Participating Municipalities and from the data obtained through the Borrower's agricultural census, censo agrícola; (c) updating of the above baseline database under a systematic methodology; and (d) analysis of the above baseline database.

2. Studies to prepare a framework and practical field methodology for the systematic gathering, compiling and analysis of data on the Small Farmers.

3. An evaluation of: (a) the effectiveness of the implementation of the Project; and (b) the environmental impact of the Project.

4. Studies to evaluate the current use of state and municipal budgets for agricultural activities including extension services.

5. Studies on selected matters, agreed between CIARA and the Bank, which would improve the effectiveness of agricultural extension and other rural development activities or assist in the monitoring and evaluation of the effectiveness of the Project.

6. Technical assistance in connection with the dissemination of new extension techniques, the establishment and operation of ACEs and effective farmer participation in such entities, development and adoption of methodological techniques and innovations, development of the institutional capabilities of CIARA and State Units to design, plan, and implement agricultural extension and technology transfer, pilot programs in selected municipalities to evaluate alternative extension methods or alternative technological packages, the investigation of the environmental impact of agricultural extension services and agricultural activities in general, and other activities, agreed between CIARA and the Bank, which would improve the effectiveness and sustainability of agricultural extension and other rural development activities or would assist in the evaluation and monitoring of the Project.

7. A program of competitive-based grants for the financing of experimental agricultural extension projects for purposes of evaluating new farming technologies and new extension methodologies.

* * *

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

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each April 15 and October 15, beginning October 15, 2000 through April 15, 2010	1,950,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<u>Time of Prepayment</u>	<u>Premium</u>
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 7 set forth in the table in paragraph 1 of Schedule 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 in 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 \$3,000,000.

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 a deposit or deposits 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 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 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 that 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; or

(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, less the amount of any outstanding special commitment 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.

**INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

CERTIFICATE

I hereby certify that the foregoing is a true copy of
the original in the archives of the International Bank
for Reconstruction and Development.



FOR SECRETARY