

No. 11997

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
MALAWI**

Development Credit Agreement—*Karonga Rural Development Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 26 January 1972

Authentic text: English.

Registered by the International Development Association on 26 September 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
MALAWI**

Contrat de crédit de développement — *Projet relatif au développement rural de la région de Karonga* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 26 janvier 1972

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 26 septembre 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 26, 1972, between REPUBLIC OF MALAWI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Sections 5.01 and 6.02 (*h*) thereof and to the renumbering of Section 6.02 (*i*) into 6.02 (*h*) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "ADMARC" means the Agricultural Development and Marketing Corporation of the Borrower, established under the Farmers Marketing Act, as amended by the Farmers Marketing (Amendment) Act, 1971;

(b) "Project Area" means the area defined in the Borrower's Government Notice No. 841 of December 24, 1971;

(c) "Project Liaison Committee" means the committee to be established by the Borrower pursuant to Section 3.02 (*a*) of this Agreement;

(d) "Project Unit" means the unit to be established by the Borrower pursuant to Section 3.02 (*b*) of this Agreement;

¹ Came into force on 14 August 1972, upon notification by the Association to the Government of Malawi.

² See p. 66 of this volume.

(e) "Project Manager" means the person to be employed by the Borrower as Project Manager pursuant to Section 3.02 (c) of this Agreement;

(f) "MK" means Malawi Kwacha, the currency of the Borrower;

(g) "Lake Service" means the transportation service maintained on Lake Malawi by Malawi Railways Limited, an agency of the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to six million six hundred thousand dollars (\$6,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, 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 under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1977 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each January 1 and July 1 commencing July 1, 1982 and ending January 1, 2022, each installment to and including the installment payable on January 1, 1992 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Section 2.08. The currency of the United Kingdom of Great Britain and Northern Ireland 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 shall carry out Parts A to G, inclusively, of the Project through the Project Unit and Part H of the Project through Malawi Railways Limited with due diligence and efficiency and in conformity with sound economic, financial administrative, agricultural and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Except as the Association shall otherwise agree, the Borrower shall:

- (a) (i) establish, and maintain until completion of the Project, a Karonga Rural Development Project Liaison Committee to coordinate the activities of the ministries, agencies and instrumentalities of the Borrower concerned with implementation of the Project, and (ii) appoint as members of said committee one senior official from the Borrower's Ministry of Agriculture and Natural Resources, who shall act as chairman, one senior official representing the Office of the President and Cabinet, one senior official from each of the following ministries of the Borrower, namely Treasury, Works and Supplies, Transport and Communications, Health and Community Development, and Local Government, and the Project Manager, who shall act as executive secretary;
- (b) establish within its Ministry of Agriculture and Natural Resources, and maintain for the purpose of implementing Parts A to G, inclusively, of the Project, a Project Unit, with headquarters in the Karonga District,

which shall be staffed with the personnel referred to in paragraph (c) of this Section 3.02; and

- (c) employ qualified and experienced specialists to serve as Project Manager, Deputy Manager in charge of Operations; Senior Field Development Engineer; Field Development Engineer; Vehicle, Plant and Machinery Superintendent; Senior Settlement and Extension Officer; Senior Veterinary and Livestock Officer; Senior Credit and Purchasing Officer; Financial Controller; Recording Hydrologist; and Senior Research Officer; provided that (i) until the Closing Date, appointments to all such positions shall be of persons acceptable to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association, and (ii) for a period of 5 years thereafter, the Borrower shall consult the Association sufficiently in advance of making any such appointment to enable the Association to have adequate opportunity to comment thereon.

Section 3.03. The Borrower shall cause the personnel listed in paragraph II of Schedule 5 to this Agreement, as said schedule may be amended from time to time by agreement between the Borrower and the Association, to be assigned to the Project and placed under the authority of the Project Manager.

Section 3.04. The Borrower shall take all measures necessary to ensure that farmers participating in the schemes under Part A of the Project adhere to the crop planting calendar which the Borrower shall prescribe from time to time for purposes of pest control.

Section 3.05. The Borrower shall, upon the recommendation of the Project Manager, cause to be evicted from the schemes under Part A of the Project any farmer who fails to abide by the scheme rules concerning water distribution, planting dates or credit repayments.

Section 3.06. The Borrower shall ensure that participants in each scheme under Part A (i) of the Project will be selected, in the following order of priorities, from (i) applicants then already farming on land within the area of such scheme, (ii) applicants then already farming on land elsewhere within the Project Area, and (iii) applicants not falling within either of categories (i) or (ii); provided that all participants shall, in the opinion of the Project Manager, have adequate experience or training in farming.

Section 3.07. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement, the Borrower specifically undertakes: (a) to make available the use of a dragline for a period of a year following the

Effective Date, to the extent that this will be required for the timely execution of Part A of the Project; (b) to cause its Ministry of Agriculture and Natural Resources to supply, not later than six months after the Effective Date, 200 cows of Improved Malawi Zebu strain from its herd for the ranch to be established in the holding ground under Part C of the Project; and (c) to adequately staff, maintain and operate the facilities to be constructed under the Project, as set forth in paragraph I of Schedule 5 to this Agreement.

Section 3.08. Except as the Association shall otherwise agree, the Borrower shall (a) cause crop extraction roads under Part B of the Project to have a width of about 16 feet from ditch to ditch, except those forming part of the Project Area's main road system which it shall cause to have a width of about 24 feet; and (b) maintain and repair all roads in the Project Area in accordance with sound engineering and financial practices, and provide, promptly as needed, the funds, equipment and other resources required for the purpose.

Section 3.09. Except as the Association shall otherwise agree, the Borrower shall, in carrying out Part D of the Project, follow the credit operating policies and procedures set forth in Schedule 4 to this Agreement.

Section 3.10. The Borrower, through its Ministry of Agriculture and Natural Resources, shall cause ADMARC to continue to perform its functions of marketing and supply of farm inputs in the Project Area, including the determination and maintenance of prices, in a manner satisfactory to the Borrower and the Association.

Section 3.11. The Borrower shall employ consultants acceptable to the Association upon terms and conditions satisfactory to the Association to assist the Borrower in carrying out Part E (i) (b) of the Project and to carry out Part E (ii) of the Project.

Section 3.12. (a) The Borrower, through its Ministry of Agriculture and Natural Resources, shall cause its Northern Regional Headquarters to furnish to the Project Manager the design and detailed plans for any rice scheme under Part A of the Project at least six months before the implementation of such scheme is to be commenced.

(b) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents, and construction, work and procurement schedules, for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(c) The Borrower: (i) shall maintain, and shall cause Malawi Railways Limited to maintain in respect of Part H of the Project, records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Section 3.13. In carrying out construction works for the Project, other than those specified in paragraph 3 (c) of Schedule 3 to this Agreement, the Borrower shall employ contractors acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 3.14. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.15. The Borrower shall cause the Project Manager to (i) establish as early as possible within the first year of implementation of the Project, and thereafter to maintain until completion of the Project, a committee to monitor and evaluate the progress of the Project according to a system of physical and financial records satisfactory to the Association, and (ii) appoint to such committee, under the chairmanship of the Project Manager, a representative of the planning unit of the Ministry of Agriculture and Natural Resources, the Senior Settlement and Extension Officer, the Senior Veterinary and Livestock Officer and the Financial Controller, who shall act as secretary.

Article IV

OTHER COVENANTS

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records, including separate accounts, adequate to reflect in accord-

ance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower, including the Project Unit, and Malawi Railways Limited with regard to Part H of the Project, responsible for carrying out the Project or any part thereof.

(b) The Borrower shall: (i) have its accounts in respect of the Project for each fiscal year of the Borrower audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) cause Malawi Railways Limited to have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) in respect of the Lake Service for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (iii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its accounts and Malawi Railways Limited accounts and financial statements for such year as so audited and (B) the report of such audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iv) furnish to the Association such other information concerning said accounts and financial statements and the audits thereof as the Association shall from time to time request.

Section 4.02. Except as the Association and the Borrower shall otherwise agree, all participants in schemes under Part A of the Project shall be required to pay (a) a development charge to be levied by the Borrower which shall be not less than MK 14 per acre per annum in the case of participants in schemes under Part A (i) of the Project and not less than MK 7 per acre per annum in the case of participants in schemes under Part A (ii) of the Project, and in addition, (b) a minimum development charge of MK 0.20 per 160 lb. bag of rice sold to ADMARC or other approved agency; provided that the Borrower may, in any case, on the recommendation of the Project Manager, waive, in whole or in part, either or both of these charges if satisfied that the participant concerned is unable to make full payment of such charges owing to crop failure arising from circumstances beyond the control of such participant.

Section 4.03. (a) The Borrower shall impose minimum grazing fees in the holding ground under Part C of the Project, which, except as the Borrower and the Association shall otherwise agree, shall be MK 0.50 per head of cattle per month during the period of one year from the date of this Agreement and MK 1.00 per head of cattle per month thereafter. In addi-

tion, the Project Manager shall charge normal commercial rates for any supplementary feed supplied to cattle in the holding ground.

(b) The Borrower shall impose a dipping fee satisfactory to the Association on all cattle within the Project Area.

Section 4.04. The Borrower shall cause to be provided for existing rice schemes within the Project Area measures to control bilharzia (and, insofar as possible, other health facilities) equivalent to those to be provided for the schemes under Part A of the Project.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration and operations, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project of any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations, 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 and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by either of them of its obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

- (a) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ADMARC or for the suspension of its operations, or for the termination or suspension of the Lake Service.

- (b) The Borrower or Malawi Railways Limited shall have failed to implement in whole or in part the Lake Service improvement plan referred to in Section 8.01. (c) of this Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) The event specified in Section 7.02 (a) of this Agreement shall occur.
- (b) The event specified in Section 7.02 (b) of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) The Project Manager has been appointed;
- (b) The Project Liaison Committee has been established; and
- (c) The Borrower has furnished to the Association a plan satisfactory to the Association for improvement of the Lake Service.

Section 8.02. The date May 25, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

The Secretary to the Treasury
Ministry of Finance
P.O. Box 53
Zomba, Malawi

Cable address:

Finance
Zomba

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.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Malawi:

By N. W. MBEKEANI
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President

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 amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Vehicles, machinery and equipment	400,000	85% of total expenditures
II. Construction of:		85% of total expenditures
(a) buildings, housing, offices, infrastructure, irrigation and live-stock facilities	1,150,000	
(b) health facilities	250,000	
III. Personnel costs	1,400,000	85% of total expenditures
IV. Seasonal and medium-term loans	250,000	85% of total expenditures
V. Second-phase feasibility study	350,000	85% of total expenditures
VI. Operating and maintenance costs	1,000,000	85% of total expenditures
VII. Transportation	900,000	85% of total expenditures
VIII. Unallocated	900,000	
	TOTAL	
	<u>6,600,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit; and
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase,

and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

4. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under any Category except Categories IV and VII shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the 1972-1976 phase of a larger effort of the Borrower for the development of agriculture in the Project Area, and consists of the following parts:

- Part A.* Construction of (i) two irrigated rice schemes on about 1,500 acres to produce double-cropped rice, involving the settlement of about 830 farmers and (ii) six organized rainfed schemes on about 6,000 acres to produce single-cropped rice, involving the settlement of about 2,000 farmers.
- Part B.* Improvements to the dry-land crop production of maize, cotton and groundnuts on about 7,800 acres, involving about 1,750 farmers, by provision of extension services and farm inputs, drilling and equipment of about 11 boreholes in fertile inland areas, rehabilitation of about 30 miles of feeder roads, and construction of about 7 miles of new roads in the Wovwe river area.
- Part C.* Construction of about 22 dipping tanks, 4 markets, development of about 18,000 acres of holding ground, and improvement of existing stock routes.
- Part D.* Provision of seasonal and medium-term credit to farmers participating in Parts A and B of the Project.
- Part E.* (i) Carrying out studies on (a) crops and (b) hydrology, and (ii) preparing a feasibility study for a second-phase project.
- Part F.* Construction of staff houses, offices and workshop, and provision of staff, vehicles and equipment for the Project Unit.

Part G. Construction of five rural health outposts, improvements to the Karonga District and the Chilumba Hospitals, provision of staff, vehicles and equipment, and drugs for bilharzia control within the rice schemes.

Part H. Construction of terminals for the Lake Service comprising berthing facilities, associated access roads and buildings at two sites to be selected at Chilumba, and either Monkey Bay or Chipoka, provision of cargo handling equipment at the two selected Lake terminals and provision of a 200-ton self-propelled vessel for the Lake Service.

The Project is expected to be completed by March 31, 1977.

SCHEDULE 3

PROCUREMENT

1. With respect to any contract for equipment, machinery, vehicles, fuel, fertilizers, pesticides, drugs and construction of ports, access roads and barges estimated to cost the equivalent of \$25,000 or more:

(a) If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for*

Procurement under World Bank Loans and IDA Credits referred to in Section 2.03 of this Agreement or with the Development Credit Agreement, and shall state the reasons for any objections it may have.

(d) If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Credit.

(e) Two copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

2. With respect to any other contract for such goods and services, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract. The Association shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Development Credit Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Credit.

3. Notwithstanding the above:

- (a) contracts for any equipment and materials the estimated cost of annual requirements for which is less than \$25,000 equivalent, and for staff housing, workshops and offices, will be awarded under the Borrower's usual procurement procedures;
- (b) the contract for the construction of the jetty for the Chilumba Port will be negotiated by the Borrower and submitted to the Association for approval prior to its award; and
- (c) boreholes, irrigation works, cattle bridges, feeder roads, fire breaks, dipping tanks, cattle markets, and works on the holding ground will be constructed by the Borrower under force account.

SCHEDULE 4

CREDIT OPERATING POLICIES AND PROCEDURES

Two credit funds will be set up by the Project Unit; one for seasonal and one for medium-term credit.

1. *Seasonal Credits*

Farmers' seasonal inputs such as fertilizers and insecticides will be supplied in kind on credit at a price equal to their cost (including all handling, transportation

and other direct charges) plus a mark-up of 10% and a 10% service charge, making a total of 21% on cost incurred by the Project Unit.

Seasonal credits will be secured by the beneficiary farmer's crop. If a seasonal credit is not fully repaid on time, a further 10% charge on the amount outstanding will be levied and the overall total will be secured by the following crop. The mark-up will be allocated to offset Project general administrative expenses and the service charge will be the income of the fund.

2. *Medium-term Credits*

(a) Work oxen, ploughs and accessories, and sprayers will be supplied to farmers on medium-term credit at a price equal to their cost (including all handling, transportation and other direct charges) plus a mark-up of 10%, and the credit will carry interest at the rate of 8% per annum.

Repayments will be in annual installments over up to 5 years, except in cases of double-cropped irrigated rice where payments will be semi-annual.

Medium-term credits will be secured by the items financed with the proceeds thereof and the beneficiary farmer's crop. The mark-up will be allocated to offset Project general administrative expenses and the interest will be the income of the fund.

(b) Malawi Young Pioneer (MYP) settlers will receive K 80 in kind by way of food, equipment and housing during the first year. Repayments will be governed by rules for similar MYP settlement loans applied on a nation-wide basis. The amounts repaid in excess of the principal borrowed shall be the income of the fund.

3. *Repayment Procedure*

All beneficiaries under the above credits will register at the closest ADMARC warehouse and market, to which they will obligate themselves to sell their produce until full repayment of their respective credits. Credit repayments will be collected at the appropriate ADMARC market by the Project credit staff.

4. *Administration of the Credit Funds*

The revolving seasonal credit fund and the medium-term credit fund will be established and administrated by the Project Unit, which will maintain credit records, authorize credit sales and supervise debt collections. The Project Unit's extension staff will provide technical supervision.

SCHEDULE 5

I. *Staffing, Maintenance and Operation of Project Facilities*

Except for personnel costs mentioned under paragraph II of this Schedule, all recurrent costs will be financed under the Project during the Project periods specified in Table 1 below. Thereafter the Borrower will be required to provide the finance necessary to adequately staff, maintain and operate the Project facilities.

TABLE 1

<i>Part of Project</i>	<i>Number of years Financed under Project</i>
A - F	Project year 1 through 5
G	Project year 1 through 2
H	None

II. *Personnel to be assigned to the Project*

(a) Government extension staff already in post in the Project Area, whose approximate strength is shown in Table 2 below, will be assigned to the Project and placed under the authority of the Project Manager. The Borrower will continue to meet the full cost of this personnel.

TABLE 2

<i>Part of Project</i>	<i>Personnel</i>	<i>Number</i>	<i>When Assigned</i>
B	Technical Officer	2	During first year of Project as requested by Project Manager
B	Technical Assistants	13	
B	Development Assistants (General extension)	18	
C	Technical Officer (Livestock)	1	
C	Senior Technical Assistant Livestock)	1	
C	Veterinary Assistants	26	
C	Development Assistants	18	

(b) (i) Health personnel shown in Table 3 below will be assigned to the Project and placed under the authority of the Project Manager in connection with their day-to-day work, but will remain responsible to the Ministry of Health and Community Development with regard to technical aspects of their work.

TABLE 3

<i>Personnel</i>	<i>Numbers assigned during 5 year development period</i>					<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
Health Inspector		1				1
Medical Assistant		1				1
Homecraft Worker	1	2	1	1	—	5
Driver	1					1

(ii) Other health personnel required to adequately staff the improved hospital facilities will be:

One (1) Clinical Officer in Project Year 2.

One (1) Clinical Officer in Project Year 3.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 703, p. 244.*]