MDTF GRANT NUMBER TF019208

Rwanda Agriculture Program-for-Results Multi-Donor Trust Fund
Grant Agreement
(Transformation of Agriculture Sector Program Phase 3)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Rwanda Agriculture Program-for-Results Multi-Donor Trust Fund

Dated March 6, 2015
AGREEMENT dated March 6, 2015, entered into between REPUBLIC OF RWANDA ("Recipient"), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION (collectively, the “World Bank”), acting as administrator of the Rwanda Agriculture Program-for-Results Multi-Donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

**Article I**
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II**
The Program

2.01. The Recipient declares its commitment to the objectives of the program described in Schedule 1 to this Agreement ("Program"). To this end, the Recipient shall carry out the Program through the Ministry of Agriculture and Animal Resources (MINAGRI) in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III**
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to fifty million, six hundred thousand United States Dollars ($50,600,000) ("Grant") to assist in financing the Program.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.

4.02. As part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.
5.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Republic of Rwanda

Facsimile:

250 25257 75 81

5.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By

Authorized Representative

Name: CLAVER GATIE
Title: MINISTER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as administrator of the Rwanda Agriculture Program-for-Results Multi-Donor Trust Fund

By

Authorized Representative

Name: Carolyn TURN
Title: Country Manager
SCHEDULE 1

Program Description

The objective of the Program is to increase and intensify the productivity of the Rwandan agricultural and livestock sectors and expand the development of value chains.

The Program consists of the following, namely the carrying out by the Recipient of a program of activities to implement the Transformation of Agriculture Sector Program 2013-2018 Phase 3 (PSTA) from July 1, 2013 to June 30, 2016.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation upon the provisions of Article II of the Standard Conditions, the Recipient shall carry out the Program, or cause the Program to be carried, in accordance with financial management, procurement and environmental and social management systems acceptable to the World Bank ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. The Grant proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation upon the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the "Guidelines on Preventing and Combating Fraud and Corruption in Program-for Results financing", dated February 1, 2012 ("Anti-Corruption Guidelines").

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation upon the generality of Part A of this Section, the Recipient shall maintain, throughout the implementation of the Program, the offices, units and departments with MINAGRI, RAB, NAEB, Districts and other relevant ministries, agencies and departments, and ensure that they are assigned with technical, social and environmental safeguards, fiduciary and other responsibilities for implementing the Program, all with powers, function, institutional capacity and staffing acceptable to the World Bank and with resources adequate to fulfill their respective functions under the Program.
2. Program Action Plan

(a) The Recipient shall carry out the Program in accordance with the Program Action Plan, and shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Program Action Plan without prior written agreement of the World Bank.

(b) Notwithstanding the foregoing, if any provision of any of said action plan is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Annual Work Program

The Recipient shall, for each Fiscal Year, develop an annual Work Program detailing the Program activities to be carried in the said FY and furnish said plan to the World Bank not later than May 30 of each FY.

4. Environmental and Social Implementation Manual

(a) The Recipient shall:

(i) not later than September 30, 2015 prepare and furnish to the World Bank for its review an environmental and social implementation manual for the Program containing the guidelines for assessing potential environmental and social impacts of the Program and designing appropriate mitigation, management, and monitoring measures in respect of said impacts; and

(ii) thereafter adopt and carry out the Program in accordance with the environmental and social management manual as shall have been reviewed by the World Bank ("Environmental and Social Implementation Manual").

(b) The Recipient shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Environmental and Social Implementation Manual, without the prior written agreement of the World Bank.

(c) Notwithstanding the foregoing, if any provision of said manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.
Section II. Excluded Activities

The Recipient shall ensure that the Program shall include no activities which:

A. in the opinion of the World Bank are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve procurement of: (1) works, estimated to cost $50 million equivalent or more per contract; 2) goods, estimated to cost $30 million equivalent or more per contract; (3) information technology system and non-consulting services, estimated to cost $20 million equivalent or more per contract; or (4) consultants' services, estimated to cost $ 5 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

A. Program Reports: Completion Report

1. The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than thirty (30) days after the end of the period covered by such report.

2. The Recipient shall prepare and furnish to the World Bank, not later than September 30, 2015, a mid-term progress report on the implementation of the Program, of such scope and in such detail as shall be acceptable to the World Bank.

3. The Recipient shall review jointly with the World Bank, not later than forty-five (45) days after the report referred to in paragraph 1 above and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the World Bank’s views on the matter.

4. The Recipient shall carry out, at least six (6) months prior to the Closing Date, an end term review to assess the overall impact of the Program and prepare an end term assessment report both of such scope and in such detail as shall be acceptable to the World Bank.

5. The Recipient shall furnish said assessment report to the World Bank not later than forty-five (45) days after the report referred to in paragraph 4 above.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall have its Financial Statements for the Program audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

C. Verification of Program Results

Without limitation upon the provisions of Part A of this Section, the Recipient shall, prior to each payment under the Program:

(i) carry out in accordance with the Verification Protocol, an assessment to determine the extent to which the Disbursement Linked Results (“DLR”) in respect of which payment is requested has been achieved; and

(ii) furnish said assessment to the World Bank for review.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify from time to time by notice to the Recipient to finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient as measured against specific indicators (“Disbursement Linked Indicators” or “DILs”); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies the categories of withdrawal of the proceeds of the Grant (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Grant to each Category.
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Extent to which land is protected against soil erosion according to agreed technical standards</td>
<td>DLR#1.1: The area of land protected against soil erosion using progressive and radical terracing techniques has increased</td>
<td>10,120,000</td>
<td>DLR#1.1: USD10,120,000 for which an amount of USD 216.29 and an amount of USD 50.12 is allocated for each addition Ha. of land protected against soil erosion using radical and progressive terracing techniques respectively</td>
</tr>
<tr>
<td>(2) DLI #2: Extent to which land on hillsides and marshlands is irrigated according to agreed technical standards</td>
<td>DLR#2.1: The area of land in marshlands and hillsides irrigated according to agreed technical standards has increased</td>
<td>5,060,000</td>
<td>DLR#2.1: USD5,060,000 for which an amount of USD 843.61 and an amount of USD 468.52 is allocated for each addition Ha. of land on hillsides and on the marshlands irrigated using agreed techniques respectively</td>
</tr>
</tbody>
</table>
| (3) DLI #3: Extent to which the average crop yield for cassava and coffee, and the average daily yields of milk per cow improves | DLR#3.1: The average crop yield per Ha. for cassava has increased  
DLR#3.2: The average yield of coffee per tree per year has increased | 7,590,000 | DLR#3.1: USD2,530,000 for which an amount of USD 843,333 is allocated for each additional average MT of cassava per Ha  
DLR#3.2: USD2,530,000 for which an amount of USD 5,060 is allocated for each additional gram of average yield of coffee per tree per year |
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#3.3: The average daily yields of milk per day per cow has increased</td>
<td>DLR#3.3: USD2,530,000 for which an amount of USD 1,686,667 is allocated for each additional average liter of milk per day per cow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) DLI #4: Extent to which the number of enhanced agricultural innovation technologies are developed and released to farmers, and the number of farmers adopting enhanced agricultural innovation technologies increases</td>
<td>DLR#4.1: The number of enhanced agricultural innovation technologies developed and released to farmers has increased</td>
<td>7,590,000</td>
<td>DLR#4.1: USD3,795,000 for which an amount of USD 379,500 is allocated for each additional agricultural innovation technology developed and released to farmers</td>
</tr>
<tr>
<td>(4) DLI #4: Extent to which the number of enhanced agricultural innovation technologies are developed and released to farmers, and the number of farmers adopting enhanced agricultural innovation technologies increases</td>
<td>DLR#4.2: The percentage of farmers who have adopted enhanced agricultural innovation technologies has increased</td>
<td>7,590,000</td>
<td>DLR#4.2: USD3,795,000 for which an amount of USD 126,500 is allocated for each additional percentage of farmers adopting enhanced agricultural innovation technologies</td>
</tr>
<tr>
<td>(5) DLI #5: Extent to which the lending for agricultural sector increases</td>
<td>DLR#5.1: The percentage of lending for agricultural sector has increased</td>
<td>5,060,000</td>
<td>DLR#5.1: USD5,060,000 for which an amount of USD 1,488,235.29 is allocated for each additional percentage increase of lending for the agricultural sector</td>
</tr>
<tr>
<td>(6) DLI #6: Extent to which an updated gender sensitive management information system for the agricultural sector</td>
<td>DLR#6.1: The Recipient has developed a framework for an updated gender sensitive management information system</td>
<td>5,060,000</td>
<td>DLR#6.1: USD1,013,536</td>
</tr>
<tr>
<td>Category</td>
<td>Disbursement Linked Result (as applicable)</td>
<td>Amount of the Grant Allocated (expressed in USD)</td>
<td>Disbursement Calculation Formula</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------</td>
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<td>---------------------------------</td>
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<tr>
<td>is developed and implemented</td>
<td>DLR#6.2: The Recipient has adopted an action plan for the installation of the updated gender sensitive management information system</td>
<td>USD2,023,232</td>
<td>DLR#6.2: USD2,023,232</td>
</tr>
<tr>
<td>DLR#6.3: The updated gender sensitive management information system is fully operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) DLI #7: Extent to which agricultural policy reforms are implemented</td>
<td>DLR#7.1: The Recipient has adopted a new seed policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan</td>
<td>10,120,000</td>
<td>DLR#7.1: USD2,533,839</td>
</tr>
<tr>
<td>DLR#7.2: The Recipient has adopted a new fertilizer policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan</td>
<td></td>
<td></td>
<td>DLR#7.2: USD3,541,616</td>
</tr>
<tr>
<td>DLR#7.3: The Recipient has adopted a new agriculture finance policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan</td>
<td></td>
<td></td>
<td>DLR#7.3: USD4,044,545</td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

   (a) for purposes of Section 3.06 of the Standard Conditions, for payments for Program Expenditures made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed USD 12,650,000 may be made for such payments made prior to this date but on or after April 14, 2014; and

   (b) for any DLR under any of the Categories until and unless the Recipient has furnished evidence satisfactory to the World Bank that said DLR has been achieved and verified in accordance with the provisions of Section III C of Schedule 2 to this Agreement.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed USD 2,530,000 as an advance provided, however, that if the DLR for said Category has in the opinion of the World Bank, not been achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the World Bank in accordance with the Disbursement Calculation Formula for said Category) to the World Bank promptly upon notice thereof by the World Bank. Except as otherwise agreed with the Recipient, the World Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the World Bank shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if the World Bank is not satisfied that any of the DLRs under any of the Categories has been achieved by the date by which the said DLR is set to be achieved or by the Closing Date, as appropriate, the World Bank may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Grant then allocated to said Category which, in the opinion of the World Bank, corresponds to the extent of achievement of said DLR,
said lesser amount to be calculated in accordance with the formula set out in column 4 of the table set under Part A.2 of this Section IV; (b) reallocate all or a portion of the proceeds of the Grant then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Grant then allocated to said DLR.

4. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2018.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the World Bank that the amount of the Grant withdrawn from the Grant Account does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the World Bank under any other loan, credit or grant, the Recipient shall, promptly upon notice from the World Bank, refund to the World Bank such excess amount of the Grant withdrawn from the Grant Account. The World Bank shall cancel the refunded amount of the Grant.
APPENDIX

Section I. Definitions

1. “Agreed Milestones” means the milestones of the action plan to be prepared for the implementation of the policies under DLI # 7 referenced in the table in Section IV.A.2 of Schedule 2 to this Agreement.

2. “Annual Work Program” means the Recipient’s plan of Program activities to be implemented in the Fiscal Year and budget and referenced to in Section I.C.3 of Schedule 2 to this Agreement, as the same may be revised from time to time.

3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

4. “Disbursement Calculation Formula” means the formula for determining further allocation of the Grant allocated to each Category to each DLR within said Category and as relevant, the further allocation of the amount of the Grant allocated to each DLR in proportion to the DLR obtained.

5. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

6. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Grant allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

7. “District” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No.29/2005 of December 31, 2005, representing a designated area and population within the territory of the Recipient.

8. “Environmental and Social Implementation Manual” means the environmental and social implementation manual acceptable to the World Bank to be prepared and adopted by the Recipient in accordance with the provisions of Section I.C.4 of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

9. “Fiscal Year” or “FY” means the financial year of the Recipient commencing July 1 of every calendar year and ending June 30 of the subsequent year.

10. “Hectare” or “Ha.” means an area of land equivalent to 10,000 sq. meters.

11. “Ministry of Agriculture and Animal Resources” means the Recipient’s ministry at the time responsible for agriculture and animal resources.
12. “Metric Ton” or “MT” means 1,000 kilograms.

13. “National Agricultural Exports Development Board” or “NAEB” means the Recipient’s agency established and operating under the Recipient’s Law No 39/2010 of 25/11/2010 and charged with the responsibility of developing and promoting exports in agricultural and livestock products, or its legal successor thereto.

14. “Program Action Plan” means the Recipient’s plan dated September 11, 2014 and referred to in Section I.C.2 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the World Bank.

15. “Program Fiduciary and Environmental and Social Systems” means the Recipient’s system; for the Program referred to in Section I.A of Schedule 2 to this Agreement.

16. “Rwanda Agricultural Board” or “RAB” means the Recipient’s agency established under the Recipient’s Law No. 38/2010 of 25/11/2010 with the mandate of developing agriculture and animal husbandry through their reform, and using modern methods in crop and animal production, research, agricultural extension, education and training of farmers in new technologies, or its legal successor thereto.

17. “Verification Protocol” means the Recipient’s protocol entitled ‘DLI Verification Protocol Table’ dated September 11, 2014 detailing the means by which the fulfillment of the Disbursement Linked Results will be verified under the Program.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Wherever used throughout the Standard Conditions, the term “the Project” is modified to read “the Program”, the term “Project Report” is modified to read “Program Report” and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. Section 3.03, Special Commitment by the World Bank, is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.

3. In Section 3.03 (originally numbered as Section 3.04), the phrase “or to request the World Bank to enter into a Special Commitment” is deleted.

4. The section originally numbered as Section 3.05, Designated Accounts is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.
5. Paragraph (a) of Section 3.04 (originally numbered as Section 3.06), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Grant in accordance with the provisions of the Grant Agreement;”.

6. Paragraph (a) of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Program Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.”

7. The last sentence of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.”

8. Section 3.06 (originally numbered as Section 3.08), Reallocation, is modified to read: “If, in the World Bank’s opinion, an amount of the Grant allocated to a withdrawal category under the Grant Agreement will be insufficient to finance the Program Expenditures under such category, the World Bank may, by notice to the Recipient reallocate any other amount of the Grant to such category, if the World Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.”

9. Section 4.01, Cancellation by the Recipient, is modified to read: “The Recipient may, by notice to the World Bank, cancel any unwithdrawn amount of the Grant.”

10. Paragraph (d) of Section 4.03, Cancellation by the World Bank, entitled “Mis-procurement”, is deleted, and subsequent paragraph (e) is re-lettered accordingly.

11. Section 4.04, Amounts Subject to Special Commitment Unaffected is deleted in its entirety, and subsequent Sections in Article IV and references to such Sections are renumbered accordingly.

12. In the Appendix, Definitions, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition
of the term "Specal Commitment" set forth in paragraph 22 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.