Rwanda Agriculture Program-for-Results
Multi-Donor Trust Fund
Grant Agreement

(Second Additional Financing for the Transformation of Agriculture Sector
Program Phase 3)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of Rwanda Agriculture Program-for-Results Multi-Donor
Trust Fund

Dated October 05, 2017
MDTF GRANT NUMBER TF0A5936-TZ

RWANDA AGRICULTURE PROGRAM-FOR-RESULTS
MULTI-DONOR TRUST FUND GRANT AGREEMENT

AGREEMENT dated OCT 5, 2017, entered into between:
REPUBLIC OF RWANDA ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), acting as administrator of the Rwanda Agriculture Program-for-Results Multi-Donor Trust Fund.

The Recipient and the Association hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in 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 the Appendix to 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, with the support of RAB and NAEB (each a "Program Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the respective Program Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the Association 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 Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed nine
million two hundred fifty thousand United States Dollars ($9,250,000) ("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 Association
receives periodic contributions from the donors to the trust fund. In accordance with
Section 3.02 of the Standard Conditions, the Association’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
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard
Conditions consists of the following:

(a) Any one of the Program Implementing Entities’ Legislation has been
amended, suspended, abrogated, repealed, or waived so as to affect
materially and adversely the ability of the applicable Program
Implementing Entity to perform any of its obligations under its Program
Agreement.

(b) The Member Country has taken or permitted to be taken any action which
would prevent or interfere with the performance by any of the Program
Implementing Entity of its obligations under the Program Agreement.

(c) Any of the Program Implementing Entities has failed to perform any
obligation under their respective Program Agreement.

(d) IBRD or IDA has declared any of the Program Implementing Entities
ineligible to receive proceeds of any financing made by IBRD or IDA, or
otherwise to participate in the preparation or implementation of any project
or program financed in whole or in part by IBRD or IDA (including as
administrator of funds provided by another financier), as a result of: (i) a
determination by IBRD or IDA that the Program Implementing Entity has
engaged in fraudulent, corrupt, coercive or collusive practices in connection
with the use of the proceeds of any financing made by IBRD or IDA; and/or
(ii) a declaration by another financier that any of the Program Implementing
Entities is ineligible to receive proceeds of financings made by such
financier or otherwise to participate in the preparation or implementation of
any project or program financed in whole or in part by such financier as a
result of a determination by such financier that the Program Implementing
Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that any of the Program Implementing Entities will be able to perform its obligations under their respective Program Agreement.

(f) The Program has been modified or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objective of the Program.

Article V
Effectiveness; Termination

5.01 This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient and the Program Agreements on behalf of the Program Implementing Entities have been duly authorized or ratified by all necessary governmental action.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Member Country, showing the following matters:

(a) on behalf of the Recipient, that 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; and

(b) on behalf of the Program Implementing Entities, that their respective Program Agreements 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.

5.03. Except as the Recipient and the Association shall otherwise agree, this Agreement shall enter into effect on the date upon which the Association dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Association to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the
Association may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. *Termination for Failure to Become Effective.* 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 Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Association shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient’s Representative; Addresses**

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

6.02. 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

6.03. The Association’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD  
Telex: INDEVAS 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: CLAUVER GATENE

Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the Rwanda Agriculture Program Results Multi-Donor Trust Fund

By

Authorized Representative

Name: Yasser El-Gamal

Title: Country Manager - Rwanda
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 September 30, 2018.
SCHEDULE 2
Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on 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 Association ("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;

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 on 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 on the generality of Part A of this Section, the Recipient shall maintain, or shall cause to be maintained, 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 Association and with resources adequate to fulfill their respective functions under the Program.

2. RAB Subsidiary Agreement

(a) To facilitate the carrying out of RAB Respective Part of the Program, the Recipient shall make part of the proceeds of the Grant available to RAB
under a subsidiary agreement between the Recipient and RAB, under terms and conditions approved by the Association. ("RAB Subsidiary Agreement").

(b) The Recipient shall exercise its rights under the RAB Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the RAB Subsidiary Agreement or any of its provisions.

3. **NAEB Subsidiary Agreement**

(a) To facilitate the carrying out of NAEB Respective Part of the Program, the Recipient shall make part of the proceeds of the Grant available to NAEB under a subsidiary agreement between the Recipient and NAEB, under terms and conditions approved by the Association. ("NAEB Subsidiary Agreement").

(b) The Recipient shall exercise its rights under the NAEB Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the NAEB Subsidiary Agreement or any of its provisions.

4. **Program Action Plan**

The Recipient shall, and shall cause the Program Implementing Entities to 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 the prior written agreement of the Association.

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.

5. **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 Association not later than May 30 of each FY.

(a) The Recipient shall and shall cause the Program Implementing Entities and Districts to carry out the Program in accordance with the environmental and social management manual ("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 Association.

(c) Notwithstanding the foregoing, if any provision of the Environmental and Social Implementation 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 Association 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 systems and non-consulting services, estimated to cost $20 million equivalent or more per contract; or (4) consultants' services, estimated to cost $15 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 Association not later than thirty (30) days after the end of the period covered by such report.

2. The Recipient shall carry out at least six (6) months prior to the Closing Date, an end term review of such scope and in such detail as shall be acceptable to the Association to assess the overall impact of the Program.
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 Association not later than nine (9) months after the end of such period.

C. Verification of Program Results

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

1. 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

2. furnish said assessment to the Association 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 Association 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 "DLIs"); 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 Financing Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
</table>
| (1) DLI #1: Extent to which land is protected against soil erosion according to agreed technical standards (baseline is 69,640 Hectares (“Ha”) for radical standards and 903,240 Ha for progressive standards) | DLR #1.1: The area of land protected against soil erosion using radical terracing techniques has increased to 103,918 Ha.  
DLR #1.2: The area of land protected against soil erosion using progressive terracing techniques has increased to 919,561 Ha. | 1,850,000 | DLR #1.1: USD 925,000 of which an amount of USD 26.99 is allocated for each additional Ha. of land protected against soil erosion using radical terracing techniques.  
DLR #1.2: USD 925,000 of which an amount of USD 56.68 for each additional Ha. of land protected against soil erosion using progressive terracing techniques. |
| (2) DLI #2: Extent to which land on hillsides and marshlands is irrigated according to agreed technical standards (baseline is 6,075 Ha for hillsides and 30,121 Ha for marshlands). | DLR#2.1: The area of land in hillsides irrigated according to agreed technical standards has increased to 8,500 Ha.  
DLR#2.2: The area of land in marshlands irrigated according to agreed technical standards has increased to 36,000 Ha. | 930,000 | DLR#2.1: USD 465,000 of which an amount of USD 191.75 is allocated for each additional Ha. of land on hillsides irrigated using agreed techniques.  
DLR#2.2: USD 465,000 of which an amount of USD 79.10 is allocated for each additional Ha. of land on marshlands |
| (3) DLI #3: Extent to which the average crop yield for cassava and coffee, and the average daily yields of milk per cow improves (baseline is avg. 18 MT/Ha for cassava, avg. 2700 grams/tree/year for coffee and avg. 5.5 liters/day/cow for milk). | DLR#3.1: The average crop yield per Ha. for cassava is increased to 19 MT.  
DLR#3.2: The average yield of coffee per tree per year has increased to 2900 grams.  
DLR#3.3: The average daily yields of milk per day per cow has increased to 6.2 liters. | 1,380,000 | DLR#3.1: USD 460,000 for which an amount of USD 460,000 is allocated for each additional average MT of cassava per Ha.  
DLR#3.2: USD 460,000 for which an amount of USD 2,300.00 is allocated for each additional gram of average yield of coffee per tree per year.  
DLR#3.3: USD 657,142.86 for each additional liter of milk per day per cow. |
| (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. (Baseline is 15 technologies developed and 50% of technologies adopted). | DLR#4.1: The number of enhanced agricultural innovation technologies developed and released to farmers has increased to 26.  
DLR#4.2: The percentage of farmers who have adopted enhanced agricultural innovation technologies has increased to 70%. | 1,380,000 | DLR#4.1: USD 690,000 for which an amount of USD 62,727.27 is allocated for each additional agricultural innovation technology developed and released to farmers.  
DLR#4.2: USD 690,000 for which an amount of USD 34,500 is allocated for each additional |
<table>
<thead>
<tr>
<th>(5) DLI #5: Extent to which the lending for agricultural sector increases (baseline 7% of total lending)</th>
<th>DLR#5: The percentage of lending for agricultural sector has increased.</th>
<th>0</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6) DLI #6: Extent to which the updated gender sensitive management information system for the agricultural sector that was developed and implemented is functional in respective Districts.</td>
<td>DLI #6.4: The Recipient has rolled out the management information system to 30 Districts and the management information system is producing regular reports.</td>
<td>930,000</td>
<td>DLR #6.4: USD 930,000 for which an amount of USD 31,000 is for each District to which the MIS has been rolled out and is producing regular reports.</td>
</tr>
<tr>
<td>(7) DLI #7: Extent to which agricultural policy reforms are implemented.</td>
<td>DLR #7.4: The Recipient has aligned the approved (a) seeds, (b) fertilizer and (c) agriculture finance policies to the updated National Agricultural Policy and revised its implementation plans; and all three policies are implemented.</td>
<td>1,850,000</td>
<td>DLR #7.4: USD 1,850,000</td>
</tr>
<tr>
<td>(8) DLI #8: Extent to which an updated National Agricultural Policy has been approved.</td>
<td>DLR #8: The Recipient has approved an updated National Agricultural Policy.</td>
<td>930,000</td>
<td>DLR #8: USD 930,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9,250,000</td>
<td></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; and

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

2. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association 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 Association 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 Association, 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 Financing 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.

3. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2018.

4. 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 Association that the Withdrawn Grant Balance 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 Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Grant Balance. The Association shall cancel the refunded amount of the Withdrawn Grant Balance.
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.5 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 financing 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 Association adopted by the Recipient on June 2016 and updated on April 10, 2017 in accordance with the provisions of Section I.C.6 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" or "MINAGRI" 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 25/11/210 and charged with the responsibility of developing and promoting exports in agricultural and livestock products, or its legal successor thereto.

14. "NAEB Subsidiary Agreement" means the agreement referred to in Section I.C.3 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the NAEB.

15. "Program Action Plan" means the Recipient’s plan dated September 11, 2014 and updated on March 9, 2017 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 Association.

16. "Program Fiduciary, Environmental and Social Systems" means the Recipient’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

17. "Program Implementing Entities" means NAEB and RAB.

18. "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.

19. "RAB Subsidiary Agreement" means the agreement referred to in Section I.C.2 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the RAB.


21. "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 “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, 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 Association, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

3. In Section 3.03 (originally numbered as Section 3.04), the phrase “or to request the Association 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 3.05 (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 financing of 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 3.06 (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 Association 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 3.06 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association 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 Association.”.

8. Section 2.07 (originally numbered as Section 3.08), Reallocation, is modified to read: “If, in the Association’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 Association may, by notice to the Recipient reallocate any other amount of the Grant to such category, if the Association 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 Association, cancel any amount of the Unwithdrawn Grant Balance.”

10. Paragraph (d) of Section 4.03, Cancellation by the Association, entitled “Mis-procurement”, is deleted, and subsequent paragraphs are re-lettered accordingly.

11. Section 4.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, 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 “Special Commitment” set forth in paragraph 22 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.