
CREDIT NUMBER 593 BU

Development Credit Agreement

(Second Coffee Improvement Project)

BETWEEN

REPUBLIC OF BURUNDI

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED DECEMBER 5, 1975

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DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 5, 1975, between REPUBLIC OF BURUNDI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) By the Development Credit Agreement (Coffee Improvement Project) dated April 11, 1969 between the Borrower and the Association (hereinafter called the 1969 Credit Agreement) the Association made available to the Borrower a Credit (hereinafter called the 1969 Credit) to assist the Borrower in financing the project described in Schedule 2 to the 1969 Credit Agreement (hereinafter called the 1969 Project);

(B) The Borrower has requested the Association to assist in the financing of Parts A, D, E, G(i), G(iii) through G(v) and H of the second coffee improvement project described in Schedule 2 to this Agreement (hereinafter called the Project) by extending the Credit as hereinafter provided;

(C) The Borrower intends to contract from the Kuwait Fund for Arab Economic Development (hereinafter called the Kuwait Fund) a loan (hereinafter called the Kuwait Fund Loan) in an amount equivalent to one million two hundred thousand dollars (\$1,200,000) to assist in financing the other parts of the Project, on the terms and conditions set forth in an agreement (hereinafter called the Kuwait Fund Loan Agreement) to be entered into between the Borrower and the Kuwait Fund; and

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

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 March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "OCIBU" means the *Office des Cultures Industrielles du Burundi* established and operating under Royal Decree No. 001/464 dated June 18, 1964 and includes any successor thereto;

(b) "ISABU" means *Institut des Sciences Agronomiques du Burundi*;

(c) "Project Area" means the province of Ngozi; and

(d) "Project" means the project described in Schedule 2 to this Agreement as such Schedule may be amended from time to time by agreement between the Borrower and the Association.

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 five million two hundred thousand dollars (\$5,200,000).

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 may be amended from time to time by agreement between the Borrower and the Association, 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 and to be financed out of the proceeds of the Credit.

Section 2.03. Except as the Association shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be March 31, 1981 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 1986, and ending July 15, 2025, each installment to and including the installment payable on July 15, 1995 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall cause ISABU to carry out Part C and G(ii) of the Project and shall cause OCIBU to carry out the other Parts thereof with due diligence and efficiency and in conformity with appropriate agricultural, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without any limitation or restriction on the provisions of paragraph (a) of this Section, the Borrower shall make available to OCIBU the proceeds of the Credit.

Section 3.02. In carrying out Parts G(i), G(iii) through G(v) and H of the Project, the Borrower shall cause OCIBU to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

Section 3.03. (a) In carrying out Parts G(i) and G(iii) through G(v), of the Project, the Borrower shall cause OCIBU to promptly appoint or maintain in employment, in consultation with the Association, qualified and experienced specialists as follows: a Project manager, a coffee processing officer, a construction officer, a coffee extension officer, a food crop extension officer and an administrative and accounting officer.

(b) The Borrower shall cause OCIBU to consult with the Association prior to making any further appointment to the positions referred to in paragraph (a) of this Section.

Section 3.04. In order to review proposed work programs and budgets under the Project and to monitor the progress of the Project, the Borrower shall establish a coordinating committee, composed of the Ministers of Agriculture and Livestock, of Finance, and of Planning or of their representatives, the President of the Bank of the Republic or his representative, the Directors General of OCIBU and of ISABU, the Governor of Ngozi province and the Project Manager.

Section 3.05. (a) The Borrower shall not later than January 31, 1976, or such other date as the Association shall agree, cause OCIBU to establish an account in a banking institution acceptable to the Association in which repayments by farmers in the Project area of the cost of fertilizer and other inputs shall be deposited.

(b) The amounts deposited in the account referred to in paragraph (a) of this Section shall be used exclusively for the procurement and distribution in the Project Area of agricultural inputs.

(c) The Borrower shall furnish to the Association for its comments not later than December 31, 1979, or such other date as the Association shall agree, a detailed plan for the recovery of input costs from farmers in the Project Area and for the operation of the account referred to in paragraph (a) of this Section based on the experience gained in input repayment during the execution of the Project and to be implemented upon completion of the Project.

(d) Until such time as the Borrower shall have furnished to the Association the plan referred to in paragraph (c) of this Section, the Borrower shall consult with the Association, not less than once every year, on the prices to be charged to farmers for fertilizer and other inputs required for coffee and food crop cultivation in order to ensure that farmers have adequate financial incentives to use such inputs while paying a reasonable portion of the cost of such inputs.

Section 3.06. The Borrower shall ensure that the number of new coffee trees planted in the Project Area in any calendar year does not exceed 4 percent of the total number of coffee trees existing in the Project Area at the end of the previous calendar year.

Section 3.07. The Borrower shall cause OCIBU to formulate and furnish to the Association not later than December 31, 1977, plans for coffee processing, based on the experience gained in the operation of the four washing stations constructed under the 1969 Project as well as the experience acquired under Parts B and G(i) of the Project.

Section 3.08. (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 3.09. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall cause OCIBU to maintain records adequate to record the progress of the Project (including the cost thereof) except for Parts C and G(ii) thereof and to identify the goods and services financed out of the proceeds of the Credit allocated to the said parts of the Project, and to disclose the use thereof in the Project; (ii) shall cause ISABU to maintain records adequate to record the progress of Parts C and G(ii) of the Project; (iii) shall enable the Association's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iv) 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 3.10. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in the Project.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall cause OCIBU to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition. Such accounts shall include separate accounts for the Project.

(b) The Borrower shall cause OCIBU to: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) 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 respective financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning its accounts and financial statements and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall cause OCIBU to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.03. The Borrower shall cause the works and facilities included in the Project to be maintained in accordance with sound agricultural, engineering and administrative practices and shall provide, or cause to be provided the funds, facilities and resources therefor.

Section 4.04. The Borrower shall provide the necessary funds and personnel to provide agricultural extension and other technical services in the Project Area after completion of the Project and shall at all times cause such services to be made available to growers and processors through an adequate staff of officers trained in techniques appropriate to the Project. For the purpose, OCIBU's Project Department will be adequately staffed with trained personnel for the supervision and execution of field work, and trained agricultural officers and field assistants will be made available in adequate numbers from the Ministry of Agriculture and Livestock, as and when required.

Section 4.05. The rate of *taxe rémunératoire* on coffee exports shall be adjusted from time to time by the Borrower to such levels as shall be necessary to provide OCIBU with funds sufficient to cover its annual operating expenses attributable to coffee. The Borrower shall inform the Association prior to any change in the current procedures for assessing and collecting such tax.

ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) the Borrower shall have taken any action for the dissolution or disestablishment of OCIBU or for the suspension of its operations;

(b) Royal decree No. 001/464 of the Borrower dated June 18, 1964 shall have been amended, waived, suspended, abrogated or repealed in such a way as to materially and adversely affect the ability of OCIBU to carry out the Project; and

(c)(i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the Kuwait Fund Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Kuwait Fund Loan Agreement, or

(B) the Kuwait Fund Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) the event specified in paragraph (a) of Section 5.01 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; and

(b) any event specified in paragraph (c)(i)B of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of

Section 12.01(b) of the General Conditions, namely that the Kuwait Fund Loan Agreement has, or will concurrently with this Agreement, become fully effective.

Section 6.02. The date of March 31, 1976 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.01, 4.02 and 4.03 of this Agreement and the provisions of Section 5.02(a) of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances
Boîte Postale 1830
Bujumbura
Burundi

Cable address:

MINFIN
Bujumbura

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 in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF BURUNDI

By /s/ Joseph Ndabaniwe
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain
*Regional Vice President
Eastern Africa*

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 the amounts of the Credit to each Category and the percentage of expenditures for items 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>
(1) Equipment, agricultural inputs (other than fertilizers and insecticides), materials and vehicles for Parts A, D and G(i) and G(iii) through G(v) of the Project	500,000	100% of foreign expenditures and 70% of local expenditures
(2) Fertilizer and insecticides for Parts A and D of the Project	600,000	100% of foreign expenditures and 70% of local expenditures
(3) Construction materials, fixtures and furniture for housing, offices and stores under Part A(iii) of the Project	200,000	100% of foreign expenditures and 70% of local expenditures
(4) Civil works, including housing, offices and stores, under Part A(iii) of the Project	300,000	70%

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
(5) Livestock, materials, equipment and agricultural inputs for Part E of the Project	200,000	100% of foreign expenditures and 70% of local expenditures
(6) Technical assistance (except under Part G(ii) of the Project), consultants' services, staff salaries and other operating costs	2,700,000	100% of foreign expenditures and 70% of local expenditures
(7) Unallocated	700,000	
	5,200,000	
TOTAL	5,200,000	

2. For the purposes of this Schedule:

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

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

3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect

of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of Categories (1), (2), (3), (4) and (6) on account of expenditures incurred after January 1, 1975 in an aggregate amount not exceeding the equivalent of \$500,000;

(b) no withdrawals shall be made under Category (5) until the Borrower shall have furnished to the Association a detailed plan acceptable to the Association for the activities under Part E of the Project; and

(c) no withdrawals shall be made for local expenditures with respect to imported goods, other than for expenditures for transportation to the place of use or installation of such goods (excluding in particular the cost of storage of such goods and similar expenses).

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 2**Description of the Project**

The Project, which is designed to support the development of smallholder coffee and food production in the Project Area, consists of the following Parts:

(A) The strengthening and expansion of input distribution and extension services started under the 1969 Project including:

- (i) the procurement and distribution to coffee growers of production inputs;
- (ii) the strengthening of extension services to coffee growers; and
- (iii) the construction of management housing, offices and stores.

(B) Construction and equipping of four coffee washing stations.

(C) A coffee research program covering selected subjects in agronomy, entomology, phytopathology, pedology and microbiology and including the equipping of the ISABU laboratories under construction at Bujumbura and the construction of two houses for technical experts.

(D) The provision of inputs, the conducting of field trials and the provision of extension services for the production of food crops in the Project Area.

(E) A pilot program in rural development including the improvement of livestock production and the organization of cooperatives and other community development activities.

(F) The construction and/or rehabilitation of about 300 potable water sources, and 300 bridges and culverts.

(G) The utilization of technical assistance to:

- (i) assist in the operation of the four coffee washing stations constructed under the 1969 Project and to conduct experiments on alternative processing methods;
- (ii) conduct research on coffee cultivation;
- (iii) carry out field trials on food crops, soil conservation and livestock development;

- (iv) strengthen extension and farm support services; and
- (v) provide in-service training.

(H) The utilization of consultants' services to provide OCIBU and ISABU assistance in the preparation of their annual work programs and to provide Project management with assistance in solving technical problems arising in the execution of the Project.

The Project is expected to be completed by June 30, 1980.

SCHEDULE 3**Procurement****A. General Procedures**

1. Fertilizer and insecticides shall be procured under contracts to be awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in April 1972, as revised in October 1972 (hereinafter called the Guidelines), on the basis of international competitive bidding.
2. Contracts for similar items shall be grouped together for purposes of bidding.
3. Goods other than fertilizer and insecticides shall be procured under the Borrower's procedures.

B. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.
2. Goods manufactured in Burundi may be granted a margin of preference in accordance with, and subject to, the following provisions:
 - (a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.
 - (b) After evaluation, responsive bids will be classified in one of the following three groups:
 - (1) *Group A*: bids offering goods manufactured in Burundi if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods

includes a value added in Burundi equal to at least 20% of the ex-factory bid price of such goods.

- (2) *Group B*: all other bids offering goods manufactured in Burundi.
- (3) *Group C*: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid, or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

C. *Procurement Without Contracting*

Civil works for the Project shall be carried out by force account.

D. *Review of Procurement Decisions by the Association*

1. Review of invitation to bid and of proposed awards and final contracts.

With respect to all contracts estimated to cost the equivalent of \$30,000 or more:

(a) 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 procedures 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.

(b) 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 which it intends to award the contract and the reasons for the intended award 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 recommendation for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed 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 such contract.

2. With respect to each contract to be financed out of the proceeds of the Credit and not governed by the preceding paragraph, 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 such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.